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Case

We negate.

Contention One is the BR-Lie

Since its formation, China has portrayed the Belt and Road Initiative, or BRI, as a milestone project, connecting Europe and Asia through a network of highways, railways, and pipelines.

In reality, Freymann '19 of the Atlantic suggests that the BRI is a poorly coordinated branding campaign *disguised* as an infrastructure project. Over time, the BRI will become all bark and no bite.

There are **three reasons** why Europe joining the Belt and Road Initiative will not increase economic cooperation or infrastructure projects.

First, non-binding agreements.

When a country "joins" the BRI, it signs a Memorandum of Understanding, or MoU. This agreement is non-binding, meaning that the country doesn't have to follow its guidelines or receive infrastructure projects. This is why Kamo '19 of the Netherlands Institute of International Relations finds that even though China has signed many MoUs with European actors, "real follow-up and…practical successes are…difficult to find."

European nations wouldn't follow through with any non-binding agreement, as Taylor '19 of CNBC reports that the majority of citizens in many European countries oppose Chinese economic influence and practices.

Second, countries can receive investment outside of the BRI.

The Globe and Mail '19 writes that "The BRI itself is actually no big deal since there was nothing stopping China from investing in Europe before the Initiative." CSIS '18 finds that there is no correlation between participating in the BRI and receiving Chinese investment. For example, China invested in Greece's ports two years before it joined the BRI.

Third, a lack of funding.

Perez '19 of the Jamestown Institute explains that because there are more profitable ventures available outside of the BRI, private firms have little interest in the initiative. Moreover, because of China's economic slowdown and a pension crisis, China cannot fund BRI projects.

Overall, joining the BRI will have no impact on Chinese investment, infrastructure, or cooperation with Europe.

Contention Two is an American Overreaction

Freymann explains that even though the BRI has little economic importance, America views it as a dangerous geopolitical development.

If the EU joins the BRI, America will retaliate, derailing years of European economic progress.

PRS Newswire finds one week ago that "while growth may decrease temporarily in Germany, Italy, or the UK," robust labor markets and strong consumer spending will keep the global economy afloat.

Roberts '19 of Forbes writes that despite America's recent tariffs on the EU, the US is showing restraint, only placing a 10% tariff even though the WTO allowed them to place a 100% one.

Thus, Rosenberg '19 of Forbes concludes that the recent tariffs on the EU are unlikely to escalate U.S.-EU trade relations. He finds that, right now, America is unlikely to place tariffs on European automobiles despite previously threatening to do so.

However, affirming would give the US ammunition to pass these tariffs on European automobiles.

Trigkas '18 of the South China Morning Post explains that if negotiations accelerate between China and the EU...it could push America to unleash tariffs against European exporters. Duesterberg '19 of Foreign Policy thus concludes that if the EU joined the BRI, Trump would pull the trigger on auto tariffs.

If Trump portrays the tariffs as a way to contain China, it could help his re-election. Feffer '18 explains that, even when tariffs hurt the economy, they increase his support in critical swing states critical to the 2020 election by rallying economic nationalism against China. Blake '19 of the Washington Post confirms that Trump's popularity in these swing states has remained stable since 2018.

Unlike Trump's current tariffs, which only affect 1.5% of EU-US trade, auto tariffs would be disastrous for the economy. Heeb '19 of Markets Insider writes that automobile tariffs could plunge the globe into a recession, reducing the growth of the global economy by 1.2 percentage points.

The IMF quantifies that the next recession will push 900 million people into poverty, and Oxfam concludes that every additional minute of recession pushes 100 people into poverty.

Don't risk an American overreaction to a meaningless Initiative. Vote con.

Contention One Frontlines

Example Sheet

Additional Reasons why EU won't follow through with MoU:

1. Taylor '19 of CNBC: Majority of Europeans oppose Chinese economic influence.
2. Emott '19 of Reuters: Europe already has a 60-billion dollar infrastructure project with Japan which was created as an alternative to the BRI, meaning they have no reason to follow through with an MoU.
3. Goulard '17 of the Diplomat: Since European politicians have regular elections, they only invest in projects with quick, short-term returns, which is contrary to China and the BRI.

EU-Japan infrastructure deal is an alternative to the BRI

Emmott, Robin. "In counterweight to China, EU, Japan sign deal to link Asia." Reuters. 2019//SK

https://www.reuters.com/article/us-eu-japan/in-counterweight-to-china-eu-japan-sign-deal-to-link-asia-idUSKBN1WC0U3

The European Union and Japan signed an infrastructure deal on Friday to coordinate transport, energy and digital projects linking Europe and Asia, seeking an alternative to Chinese largesse that has raised suspicion in Brussels and Tokyo. The accord, signed by Japanese Prime Minister Shinzo Abe and European Commission President Jean-Claude Juncker, formalizes Japan's involvement in a new EU-Asia "connectivity" plan that is set to be backed by a 60 billion euro (**$65.48 billion**) EU guarantee **fund**, development banks and private investors. "Whether it be a single road or a single port, when the EU and Japan undertake something, we are able to build sustainable, rules-based connectivity from the Indo-Pacific to the Western Balkans and Africa," Abe told an EU-Asia forum in Brussels. Since 2013, China has launched construction projects across more than 60 countries, known as the Belt and Road Initiative, seeking a network of land and sea links with Southeast Asia, Central Asia, the Middle East, Europe and Africa. "The sea route that leads to the Mediterranean and the Atlantic must be open," he added, referring to the need to prevent projects funded by Beijing and its vast foreign exchange reserves dominating transport routes.

EU wants short-term projects

Goulard, Sebastien. "France, Italy, and China's 'Belt and Road' Initiative." The Diplomat. 2017//SK

https://thediplomat.com/2017/03/france-italy-and-chinas-belt-and-road-initiative/

Of course, China could take advantage of a divided Europe, as Brexit and the European appetite for Chinese investments will obviously strengthen Beijing's bargaining powers. However, China should not abuse its dominant position on Europe, in order to ease the completion of the "Belt and Road." First, the Chinese and European powers do not use the same time scale, and this may impact Europe's involvement in the "One Belt, One Road" strategy. **Contrary to China, European governments, because of regular elections, are driven by rapid results in terms of investments and job creation.** This means that **European countries are likely to be** heavily **involved in the "Belt and Road" initiative only if they can foresee results in the next couple of years**.

Examples of countries not following through with the BRI:

1. Kamo '19 of the Netherlands Institute of International Relations: No follow-up has been given to the Netherlands-China MoU.
2. Kamo '19: The EU-China Co-Investment Fund was an MoU between the European Investment Bank and the Silk Road Fund, and it saw no practical success.
3. Overall, Kamo finds that "practical successes are difficult to find" when analyzing European MoU's with China.

4. [5G specifically] Foreign Affairs '19: When Italy joined the BRI, it simultaneously made moves to ban Huawei from its 5G networks
5. Elmer '18 of the SCMP: When Eastern and Central European joined the BRI, they expected new projects, but China literally just rebranded current projects.

Italy didn't follow through

"Why Europe Is Getting Tough on China." Foreign Affairs. 2019//SK

https://www.foreignaffairs.com/articles/china/2019-04-03/why-europe-getting-tough-china

Some European politicians will continue to dabble periodically with overtly friendly policies toward Beijing, whether for the sake of poking Brussels in the eye or in the hope of eliciting a couple of additional investments. But **when the experiment proves costly, politicians have proved ready to discard it**. The United Kingdom seems to have ended its "golden era" of relations with China in light of security concerns. Central European states have become disillusioned with the lack of economic benefits on offer and now coordinate the 16+1 far more closely with the European Union. **Even Italy, when signing a political agreement on the BRI, simultaneously made moves that would enable Rome to exclude Huawei from its 5G networks**. China's political reach and influence in Europe are undoubtedly growing, but the roots of these relationships are shallow.

27/28 oppose, smaller countries that did join are realizing its not worth it

Elmer, Keegan. "EU presents (nearly) united front against China's 'unfair' Belt and Road Initiative" South China Morning Post. April 20, 2018//AP

https://www.scmp.com/news/china/diplomacy-defence/article/2142698/eu-presents-nearly-united-front-against-chinas-unfair

Much of China's investment in southern and eastern parts of Europe has been in utilities and energy, or **involves in existing infrastructure projects**, such as the Port of Piraeus in Greece, where Chinese state-owned firm Cosco Shipping had acquired 51 per cent stake.

Weidenfeld said some smaller Central and Eastern European nations were "sobering up" after their initial hopes that the Belt and Road Initiative might fund major new infrastructure projects, whereas Beijing had just relabelled some existing projects as being part of the project.

"Chinese firms prefer to invest in existing infrastructure, primarily in utilities and the energy sector, but there has not been anything new," Weidenfeld said. "There have been lots of investment and financing promises, and few of them have actually come to fruition."

Examples of countries receiving investment outside of the BRI:

1. Baruah '18 of the Globe Post: China-Europe rail services have increased, connecting China to European countries like Germany, France, and Spain, despite being outside the BRI.
    a. ORF '18: Chinese rail investments in Europe started way before the BRI.
2. Perez '19 of the Jamestown Institute: The value of telecom deals between China and the UK is about the same as the value of deals in all 137 BRI countries combined.
    a. Ellis '19 of the Silk Road Briefing: UK is not part of the BRI.

Rail has nothing to do with the BRI

"China-Europe: Trade, Technology, Competition" ORF Online. 2018//SK

https://www.orfonline.org/research/china-europe-trade-technology-competition-51115/

Indeed, **Chinese connectivity schemes targeting Europe predate the BRI. The first set of trains travelled from Yangtan in Hunan to Hamburg in 2008 using the Russian railroad system**. Likewise, COSCO acquired the franchise rights for two terminals in Piraeus in 2008. In August 2018, the China-Europe freight railway service saw its 10,000th trip since its beginning in 2011. These have been ferrying garments, auto parts, chemicals and other Chinese goods to Europe and bringing back food, timber, machinery and equipment. **As of mid-2018, China's freight services linked 48 Chinese cities with 42 European ones**.[xxii] These are heavily subsidised by Chinese local governments and it remains to be seen whether they have any relevance beyond fulfilling strategic objectives. [xxiii]

Examples of projects not being completed due to a lack of funding:

1. Perez '19 of the Jamestown Institute: Despite Italy signing deals, no investments of construction projects materialized. In fact, Chinese companies are considering backing out of the deals.

No Correlation between MoU and FDI

1. Logically, signing a meaningless, non-binding document is unlikely to increase investment.
2. USCC '18: Only 12% of China's FDI went to BRI countries, and it actually fell by 1.2 percent.
3. Greer '18 of Foreign Policy: One third of so-called "BRI investment" is just investment into South Korea, Israel, and Singapore that was rebranded under the BRI.
4. Freymann '19 of the Atlantic: Chinese FDI hasn't increased in BRI countries, and the Chinese government often uses creative math to inflate the amount of FDI.
5. Kuhmann '19 of the CIRSD: The majority of Chinese FDI in Europe goes into non-BRI countries like the UK, Germany, and France.
6. Du and Zhang indict [40% increase in FDI under the Belt and Road Initiative]
    a. The main warrant it gives for higher investment is INFRASTRUCTURE INVESTMENT, which we already showed is not exclusive to the BRI
    b. The other warrant it gives is political cooperation and policy coordination, but we already explain in our first contention that the EU will not cooperate or change its policies after joining the BRI

BRI doesn't affect FDI

"China and the World." USCC. 2018//SK

https://www.uscc.gov/sites/default/files/Annual_Report/Chapters/Chapter%203%20Section%201-%20Belt%20and%20Road%20Initative_0.pdf

Chinese Investment in BRI Countries: While BRI aims to strengthen investment links between China and BRI countries, Chinese engagement with BRI countries has largely been through infrastructure projects nanced by Chinese policy and commercial bank loans rather than foreign direct investment (FDI).52 **Chinese investment in BRI countries remains a small percentage of its to- tal overseas FDI; in 2017, just 12 percent of China's investment flow went to BRI countries**.‡53 China's FDI in BRI countries totaled $14.4 billion in 2017, **down 1.2 percent from 2016**.

BRI doesn't affect FDI

Greer, Tanner. "One Belt, One Road, One Big Mistake." Foreign Policy. 2018//SK

https://foreignpolicy.com/2018/12/06/bri-china-belt-road-initiative-blunder/

This is why many of the more promising BRI projects were already slated or under construction well before Xi announced his vision for the initiative. These projects have simply been rebranded with the BRI label to curry favor with the party leadership. (Sometimes this rebranding reaches comical proportions: Turkey's Marmaray rail tunnel, for example, was recently lauded by the World Bank as an exemplary BRI investment, even though it is funded by a Turkey-EU-Japan consortium and appears to have no Chinese involvement.) It is easier to rebrand a successful project as part of the Belt and Road Initiative than it is to create successful projects from scratch. This reality helps explain the coolness with which private investors have treated the initiative. **Despite stringent capital controls on non-BRI investment, only 12 percent of Chinese foreign direct investment has been directed to the countries participating in the Belt and Road Initiative (and one third of that goes to the developed economies of South Korea, Israel, and Singapore).** Government calls for participation from international partners and private investment have been ignored: large state-owned enterprises and government policy provide more than 95 percent of BRI funding. BRI is not a brand investors trust. This might not matter if BRI projects were driving favorable political outcomes. They aren't. Prolonged exposure to the BRI process has driven opposition to Chinese investment and geopolitical influence across the region. In the Maldives, the pro-Beijing Progressive Party of Maldives was unseated this year by the Maldivian Democratic Party, which ran on an explicitly anti-BRI platform. The Maldives' new president calls the BRI "a big cheat" and a "debt trap" that must be abandoned or renegotiated.

No change in foreign investment for OBOR countries

Freymann, Eyck. "'One Belt One Road' Is Just a Marketing Campaign." The Atlantic. 8/17/19//SSK

Washington's response to OBOR is to treat it as a dangerous geopolitical development—an investment initiative gone bad. The 2018 National Security Strategy accused China of practicing "predatory economics." Beijing is trying to build a "treasury-run empire," Secretary of State Mike Pompeo said last October, and "we intend to oppose them at every turn." This is a misdiagnosis. China's global stock of foreign investments remains quite small for an economy of its size. Even **the data on OBOR's official website show that capital flows to OBOR countries did not accelerate after Xi announced the program in 2013. And China frequently uses signing ceremonies and creative arithmetic to inflate the perceived size of its investments.** OBOR is not a Chinese Marshall Plan. It is more like a Chinese version of "Make America Great Again." Yet the OBOR brand's relentless global expansion also proves that this supposedly "predatory" scheme is actually highly attractive to recipient countries. In the past year, the OBOR campaign has gone global. Italy, Portugal, and more than a dozen Latin American and Caribbean countries have joined. Britain's new prime minister, Boris Johnson, has come out as an "enthusiastic" supporter. Some of these countries buy the OBOR hype. Others recognize that it is mostly branding. But all have self-interested reasons to appease Emperor Xi—they want investments, trading privileges, or political leverage against Washington or Brussels.

No correlation w/BRI

Kuhmann. "European Responses to BRI." CISRD. 2019//SK

https://www.cirsd.org/en/horizons/horizons-summer-2019-issue-no-14/european-responses-to-bri-an-overdue-assessment

Another example was the 2016 acquisition of 51 percent of Greece's Piraeus Port Authority by China's COSCO Shipping, the largest shipping company in the world. China touted the investment as a contribution to the future of Sino-European trade, and as part of the "maritime" portion of BRI. When it comes to the per capita inflows of investment in Europe, Portugal has also become an important BRI target. China engaged in Portugal in investing in a broad range of strategic assets, such as electricity, transportation, oil, financial services, insurance, health and real estate. **However, a recent report released by the Rhodium Group and the Mercator Institute for China Studies shows that the lion's share of Chinese investment in the EU's 28 member states continues to go to the three biggest economies in Europe—namely, the UK, Germany, and France—none of which have formally joined BRI**. The report also shows that Chinese FDI in Europe continued to decline in 2018, which corresponds with the fall of Chinese FDI on a global level. Four main reasons explain this trend. First, stricter capital controls in China, as well as political and regulatory pushbacks against China in advanced economies. Moreover, in Europe in particular, the decline of Chinese FDI is also caused by the fact that EU member states are modernizing their FDI screening regimes. Lastly, the new EU screening framework, which was initiated in 2018, will probably impact Chinese investors and further reduce Chinese FDI in the region.

A2 Du and Zhang

Du, Julan, and Zhang, Yifei. "Does One Belt One Road initiative promote Chinese overseas direct investment?" China Economic Review. 2017//SK

10.1016/j.chieco.2017.05.010

It is then a natural question to ask whether the OBOR initiative has promoted the overseas investment of Chinese companies, particularly in the belt-road countries. This question could be of interest to not only policymakers and industry experts but also academics because it may help us understand the impacts of an infrastructure-led economic integration plan on foreign direct investment (FDI). **Firstly, as will be argued in detail in Section 2.3., the OBOR strategy's massive investment in infrastructure would improve the quality and availability of logistics facilities in the belt-road countries, which can boost FDI inflow from China**. Furthermore, the high- level international **political cooperation, policy coordination and government support embedded in the OBOR initiative can considerably reduce host country policy uncertainty and political risks for Chinese firms investing in the belt-road countries, which further encourages China's ODI in the belt-road countries**. In the early stage of the OBOR initiative, some of these motivating benefits for ODI may already take shape, but many others are still largely expected ones instead of realized ones.

BUILD Act Weighing [we need to address]

1. Tariffs
    a. **Probability:** We outweigh on probability because we control for the incentive structure of politicians acting in retaliatory measures. Insofar as the United States has historically responded to BRI expansion through infrastructure aid and not tariffs, we know it's likely that the response would be the same once you affirm. The reasoning is simple: regardless of who's in office, politicians in the United States are far more concerned about getting re-elected than checking back the EU for being on China's side in one issue because actions like tariffs would definitely have spillover effects into the US economy.
        - **If the US used BUILD Act historically and the EU joins, that shows the US that the BUILD Act is an ineffective way of containing the BRI**
        - **Trump has historically used tariffs when countries have done things that he doesn't agree with.**
        - **Use Feffer to say that it's in his political interest.**
    b. **Timeframe:** Tariffs are inherently short term. Insofar as both the EU and the United States are reliant on each other for economic stimulus, the impacts of tariffs would be incredibly short term because tariffs themselves don't last for too long. That's why the tariffs on China aren't indefinite. However, we tell you that US Aid bolsters developing economies for the long-term because the infrastructure loans are unpredatory and the upkeep is supported through the establishment of local institutions that aid in maintenance efforts in the long-term, locking in perpetual economic growth.
        - Picker '15 of NBER: Recessions have long term impacts as the last recession permanently reduced potential economic output by 8.4% percent, which is how much Germany contributes to the global economy. This definitely outweighs $60 billion.

Recessions have long-term effects

Picker, Les. "Long-Term Damage from the Great Recession in OECD Countries." National Bureau of Economic Research. 2015//SSK

https://www.nber.org/digest/nov14/w20185.html

In Long-Term Damage from the Great Recession in OECD Countries (NBER Working Paper No. 20185), Laurence M. Ball uses OECD estimates of potential output in 23 countries to quantify the long-term damage from the Great Recession. For each country, he takes the path that potential output was following before the financial crisis, according to OECD estimates from December 2007, and extrapolates this path through 2015. He then compares this pre-crisis trend to estimates of potential output in the most recent vintage of OECD data (May 2014), and interprets the differences as effects of the recession. To check robustness, he performs a similar exercise using IMF estimates of potential output from October 2007 and from April 2014. Ball finds that the recent recessions have had dire effects on economies' productive capacity, as measured by OECD and IMF estimates of potential output. In most countries, the fall in potential relative to its pre-crisis trend has been almost as large as the fall in actual output. Consequently, the countries with the deepest recessions have also experienced the greatest long-term damage. **By aggregating the 23 countries in his sample, the author finds that the loss of potential output relative to the pre-crisis path is 8.4 percent in 2015. To appreciate the size of this loss, note that Germany accounts for 8.2 percent of the aggregate economy. The total damage from the Great Recession is slightly larger than the loss if Germany's entire economy disappeared.** Ball suggests that recessions sharply reduce capital accumulation, have long-term effects on employment - largely through lower labor force participation - and may slow the growth of total-factor productivity. This last effect is poorly understood. One possible mechanism is a decrease in the formation of businesses with new technologies. A pressing question is whether hysteresis effects are reversible. Perhaps a strong economic expansion could push potential output back toward its pre-crisis path as procyclical investment increases the capital stock and plentiful job opportunities increase workers' attachment to the labor force. Ball concludes that further research is needed on the mechanisms and magnitude of long-run hysteresis.

Frontlines

Link Defense

F2 22/28 countries

1. Washington Post: France and Berlin are the heart of the Western alliance. The US only cares about whether they join the BRI.
2. Kamilla '18: If the EU joined as a bloc it would show a decisive shift from the West to the East, which is something the US could justify auto tariffs over, not a few countries like Italy joining the BRI.

F2 Good for election will do it anyway

1. He needs a reason to put tariffs. The EU joining the BRI is that reason.

F2 Bad for election, won't do it

1. Yeah, if the US puts tariffs on the EU right now, it would probably be bad for his election. However, if the EU joins the BRI, and Trump portrays the tariffs as a way to contain China, that would help his election. Feffer '18 explains that, even when tariffs hurt the economy, they increase support in the swing states that helped him win in 2016 and will help him win the 2020 election because they increase economic nationalism against China.
2. He pursued a trade war with China despite this.

Trump wants to appeal to swing states w/China

Feffer, John "Trump's Trade War is About Trump, Not China" IPS 2018//MN

At first glance, Trump's move seems to make little political sense. He's going against a good chunk of his own party, which has uncritically embraced free trade for years. The president's moves may complicate Republican chances in the mid-term elections, since Republican candidates must now either run against the president on a pocketbook issue or unconvincingly change their stripes at the last moment. **But Trump's move may preserve (or even expand) his own base of support in key swing states — and thus his chances for reelection in 2020. Don't underestimate Trump's willingness to destroy his party, his country, and the global economy in his quest to make himself "great" for a second term. On the tariff question**, the surprising thing is not Trump's decision. After all, he's been touting tariffs ever since he began talking politics back in the 1980s. What's truly bizarre are some of the people who are praising his recklessness and thus reviving his political fortunes. Trump has generally gotten along with Xi Jinping. He's repeatedly praised the Chinese leader, continuing to do so even as the trade war heats up. It's possible that the two countries will negotiate away their differences behind the scenes, which they could have done without all the tit-for-tat drama of the recent tariff-slinging. In fact, China has already shown some flexibility. But **China represents something else for Trump. It's the fulcrum of the economic nationalism that Steve Bannon brought to the White House, a way for Trump to keep enflaming his base of support in pivotal states in the lead-up to the 2020**

election. Trump is following the Bannon playbook — to remake the Republican Party. **The trade issue is the tip of the spear of this strategy.** Back in June 2016, Zakaria wrote that "**it is stunning that serious conservative Republicans who are devoted to free-market ideas are backing Trump, looking the other way and crossing their fingers. The cost of doing so is now clear: Trump will transform the GOP into a protectionist, nationalist party**."The Democrats are likely to win back the House in 2018, and they have a shot at getting the Senate as well. That might pose a problem for Trump on a number of fronts, including immigration and the environment. But on economic issues, Trump could very well partner with Democrats and cut out all the Republicans who remain wedded to the "globalist" model. That's a nightmare scenario for Mitch McConnell, Paul Ryan, and the Koch crowd. But start preparing yourself for the prospect of Donald Trump running again in 2020 **on a trans-partisan platform of economic nationalism that touts his "achievements" on trade and infrastructure. Such a pitch will appeal to precisely the swing states that supported him in 2016.**

F2 Build Act

1. [Responses]
2. Weighing:

   A)

F2 Agriculture deal doomed to fail

1. Forbes evidence from case postdates and says the US is taking a softer approach in negotiations and is not on track to place auto tariffs.
2. Pramuk '19 of CNBC reports that the EU and the US have passed an agreement to boost beef exports to the European Union, which has helped farmers and decreased trade tensions, preventing automobile tariffs.

Pramuk, Jacob "Trump announces deal to expand US beef exports in the EU — and jokes about Mercedes, BMW tariffs"

President Donald Trump announced an agreement Friday to boost beef exports to the European Union. Surrounded by trade officials and beef industry representatives at the White House, **Trump signed a deal to "lower trade barriers in Europe and expand market access for American farmers and ranchers.**" Over the course of the agreement, annual duty-free U.S. beef exports to the EU are expected to nearly triple to $420 million from $150 million, according to the Office of the U.S. Trade Representative. "This is a tremendous victory for American farmers, ranchers and of course, European consumers," the president said at the White House as he unveiled the deal. On Thursday, he threatened to put 10% tariffs on $300 billion of Chinese goods in September — a move that would raise prices on many consumer products. T**hrough the beef agreement, Trump in part aims to de-escalate trade tensions with the European Union. Earlier this year, the administration delayed a decision on slapping duties on European cars and auto parts.** He put a momentary scare into European officials at the White House on Friday when he brought up car tariffs unprompted.

F2 Trade war with Europe less popular

1. Exactly, which is why he needs to pin it on China

F2 Trump doesn't want to hurt the economy

- Palmer '19 of Politico: For Trump, political considerations outweigh economic considerations, which is why he is escalating the trade war with China in the status quo. [Then read Feffer]
- America's goal is to put tariffs on the EU and force them to leave the BRI, so he doesn't anticipate retaliation.

For Trump, political considerations economic common sense

Palmer, Doug. "Trump says he'll hit China with new tariffs." Politico. 2019//SK

https://www.politico.com/story/2019/08/01/trump-china-tariffs-1444426

Powell made clear the Fed plays "no role whatsoever" in assessing or evaluating trade policies other than determining the impact on the economy in the short and medium term. Retailers and other industry groups quickly criticized Trump's tariff escalation, arguing that imposing new taxes on Chinese goods would only serve to hurt U.S. families. "**It is clear political considerations are outweighing economic common sense**, especially as this comes on the heels of a rate drop by the Federal Reserve, indicating more challenging economic times ahead," said Matt Priest, president and CEO of the Footwear Distributors and Retailers of America. **The list of Chinese products that will be subject to the new tariff includes footwear. Roughly 70 percent of all shoes sold in the U.S. are imported from China**.

F2 Auto Tariffs are a Trojan Horse for an agriculture deal

1. The BRI would throw all of these plans out of the window, as the Atlantic finds that the US views the BRI as a massive geopolitical threat. Even if Trump has no intent to put tariffs right now, affirming means he will.
2. No evidence for tariffs being a Trojan horse, just a random journalist asserting it
3. China trade war disproves the notion that Trump doesn't follow through with his threats

F2 Trade war will escalate because of current WTO tariffs

1. Peker '19: EU signaled it won't retaliate immediately because it fears auto tariffs
2. Rosenberg '19: Even if EU retaliates, it won't aggravate overall trade relations.
    a. The warrant is from Forbes who finds that the current tariffs only affect 1.5% of trade.

EU said it won't respond to Trump's tariffs

Peker, Emre. "EU Pledges Restraint as U.S. Moves to Add Tariffs." The Wall Street Journal. 10/3/19//SSK

https://www.wsj.com/articles/eu-pledges-restraint-as-u-s-moves-to-add-tariffs-11570130666

The European Union signaled it wouldn't immediately retaliate against new U.S. tariffs, seeking to avoid a broader trade war as Washington moves to punish the bloc over Airbus SE subsidies the World Trade Organization ruled illegal. U.S. Trade Representative Robert Lighthizer on Wednesday said Washington would impose levies starting Oct. 18 on $7.5 billion of European goods—including commercial jetliners, Irish and Scotch whiskies, cheeses and hand tools—tapping the WTO's biggest-ever arbitration award. "We regret that the U.S. appears to have taken the decision to impose additional tariffs," Daniel Rosario, a trade spokesman for the European Commission, said on Thursday. A negotiated solution, he added, "still is, our preferred approach to this problem." The U.S. made a strategic decision to swiftly apply tariffs: A WTO award ruling next year will enable EU countermeasures over illegal subsidies the WTO found were made to Airbus rival Boeing Co. After unveiling tariffs that will squeeze Airbus and sensitive European industries led by agriculture, U.S. officials said they are ready for talks. President Trump, who has repeatedly claimed the EU has taken advantage of the U.S., is also poised to decide by Nov. 13 on whether to impose duties on imports of European cars and auto parts. "A nice victory!" Mr. Trump tweeted on Thursday, hailing the WTO award in the long-running aircraft fight. In August, the president once again raised the issue of car tariffs, saying Europeans "started to get a little bit worried." A White House decision to tax auto imports would unleash a tit-for-tat escalation covering nearly 10% of $1 trillion in annual U.S.-EU trade in goods and services. The EU is eager to make a deal in a bid to contain the fallout from the trans-Atlantic aircraft battle, along with revamping trade relations to avoid a bruising economic fight. "I'm not convinced the U.S. is seeking an immediate settlement" on the WTO case, said Sam Lowe, a trade expert at the Centre for European Reform, a think tank. "This dispute, despite being legal, will spill over into the politics of the trade war." European officials signaled their inclination to temporarily accept U.S. duties of 10% on commercial jetliners and 25% on agricultural and other goods. Previously, the European Commission—the EU's executive and trade authority—had suggested revoking old WTO settlements to rapidly retaliate against $4 billion of U.S. exports. **For a lot of EU governments, dealing with the short-term pain of U.S. levies over the Airbus case is preferable to provoking Mr. Trump into triggering auto duties, an EU official said.**

F2 Trump backing down on Chinese Trade war right now

- Lee '19 explains that these negotiations are similar to past ones, where the US reaches a short-term agreement and then escalates the fight again.

New trade deal won't last long

Lee, Yen. "A pause in US-China trade war would be a 'big relief' to markets, says economist." CNBC. 10/11/19//SSK

https://www.cnbc.com/2019/10/11/us-china-trade-war-a-pause-would-be-big-relief-economist-says.html

Many analysts have low expectations for what the two sides could achieve in this week's talks. Some said the U.S. and China could reach a limited deal for the time being, while others predicted that the next rounds of tariff increases scheduled for Oct. 15 and Dec. 15 would be postponed. **David Dollar, a senior fellow at the Brookings Institution, warned that any deal reached by the two countries may not last. He noted there had been instances in the past when the U.S. and China appeared to have come close to reaching an agreement, only to have the tariff fight escalated all over again.** "I worry that investors look at this, they'll be relieved tomorrow if there's a deal but then they're going to start asking themselves: 'Is this really stable? Do we expect this to last for a long time? Could this perhaps fall apart in a few months?'" Dollar told CNBC's "Squawk Box Asia" on Friday.

F2 Already have a 25% tariff on light trucks, including SUV's

1. This tariff has been around since literally 1963, it's not causing any investor uncertainty nowadays. If Trump puts tariffs on ALL European automobiles, that's what causes uncertainty and the recession

F2 Trump hasn't put tariffs despite Paris Climate Agreement

1. Tensions were low and automobile tariffs weren't even proposed when the Paris Climate Agreement was signed, they were proposed in early 2019
2. Trump doesn't care about the environment, he cares about the BRI and Chinese hegemony

Duesterberg Alt Causes

1. Huawei

    a. Politico: Cracking down on Huawei
2. Soft money
    a. Not about China, doesn't excite his base
3. Airbus subsidies
    a. Already put tariffs on airbus, if anything this shows America is willing to tariff the EU if they go against the US

Europe putting pressure on Huawei

Lee, Mary. "Europe ratchets up pressure on Huawei." Politico. 7/19/19//SSK

European countries are starting to take a more aggressive posture against Huawei as the Chinese telecom fights to retain its place as a dominant 5G provider. Targeted ransomware attacks exponentially increased since 2017 with the rise of new strains of ransomware. The U.S. is taking a beating as a result. A suspected Chinese hacker group had even more sophisticated malware at its disposal than previously known, according to fresh analysis. Their preferred targets appear to be diplomatic missions.

Impact Defense

F2 EU not hurt by tariffs

1. [Indict to 10%/ECB study] It doesn't account for the uncertainty that auto tariffs would create, which the authors conclude would have significant impacts on the global economy.
2. Lane '19 of the Hill: The uncertainty and investor panic is what mainly causes the recession
3. Heeb also looks to the effects on the US economy.

10% study doesn't account for increased uncertainty

Gunnella, Vanessa. "The economic implications of rising protectionism: a euro area and global perspective." European Central Bank. 4/24/19//SSK

The effects of tariffs are amplified by the car industry's cross-border global value chains (GVCs). Chart B compares the welfare effects deriving from the multi-sector model with global GVC effects in place against the same model, but with trade attributed only to final goods (so that the amount of trade subject to tariffs stays the same). Trade between sectors within a country is also totally attributed to final goods – in the model without GVCs, tariffs would only be applied once a final good crossed a border. The results confirm that the organisation of car production in supply chains involving several stages of production in several countries (see Chart A) plays an important role in transmitting tariff effects: failing to account for the GVC-related trade in the sector-level model would understate the welfare effects by at least 10% in the case of the euro area. The amplifying effects of GVCs are even more evident in the case of the United States, whose car sector relies heavily on imported intermediate inputs. The role of GVCs is particularly interesting in the case of Canada. Without accounting for GVC effects, Canada would experience some gains in terms of welfare. However, when the indirect and loop effects of tariffs through supply chains (e.g. increase in prices also through tariffs affecting the United States) are taken into account, the welfare effects turn negative. Overall, the impact of rising tariffs on cars is assessed as being more pronounced for car-exporting countries and could be intensified by confidence effects. Although world unit production of cars is large, the auto industry accounts for only a small share of value added in most countries. It is estimated that the impact on the euro area as a whole would be small, even when the magnifying effects of global supply chains are taken into account. However, the consequences of an increase in car tariffs may weigh significantly on some countries. It is assessed that a possible increase in tariffs would have some negative effects in the United States and in those countries with a large exposure to the US market – chiefly South Korea and Japan. In addition, **confidence effects or the effects of uncertainty with regard to the car industry that have not been taken into account could have a more negative impact on the world economy.**

Uncertainty causes recession

Lane, Sylvan. “Window narrows for Trump trade deals.” The Hill. October 2019//sK

https://thehill.com/policy/finance/464471-window-narrows-for-trump-trade-deals

Wasserman also warned that the situation could escalate. It Trump's tariffs prompt retaliation from the EU, the president may counter with 25-percent tariffs on foreign autos that could be devastating to Europe. "It'll tempt him to get mad and do something on the autos, and I think they're going to settle down and stop doing that,” Wasserman said, noting it was “surprising” that the U.S. did not simply amp up tariffs on aircraft instead. It's the "chaos-as-a-negotiating tactic that Trump loves,” she added. While consumers have largely been insulated from the direct effects of rising tariffs, the persistent trade tensions and headlines about the slowing economy pose their own risks. “People just don't know where to place their bets. They don't know whether the road ahead is paved, let alone how far they can move forward,” Swonk said. “**There's the direct cost of tariffs and the retaliation, those alone are not enough to push you into recession**," Swonk continued. "**But it's a snowballing effect, and it's that confidence factor that really does get you into a place where you get on thin ice**.”

F2 Senate will block tariffs

1. Levy ‘19: All of Trump’s tariffs have been imposed without Congressional approval

Levy, Mickey “Tariffs and Monetary Policy: A Toxic Mix” SOMC 2019//MN

Economic performance improved decidedly. **Beginning in late 2017, Trump began ramping up tariffs. Most of the tariffs have been imposed without explicit approval of Congres**s, based on the Administration’s interpretation of existing legislation that either protects industries from imports or addresses foreign trade behavior (particularly of China) that is perceived to be unfair, threatens national security or is considered a national emergency. Trump’s trade policy initiatives have been driven by a combination of beliefs. Trump dislikes bilateral trade deficits, despite the fallacy that bilateral trade deficits impose economic costs, and tilts toward mercantilism. Trump distrusts China—its ideology, its policies and strengthened economic position and its threat to US supremacy and security. Anecdotal evidence of China’s theft of US intellectual property is abundant. Trump distrusts globalism and the established governmental channels for conducting diplomacy, and favors rough and tumble one-on-one negotiating.

F2 WTO will block tariffs

- Burchard ‘19 of Politico: The WTO ruling on car tariffs has no binding value.

WTO ruling is not binding

Burchard, Hans. “Trump’s Steel Car Tariffs.” Politico. 2019//SK

https://www.politico.com/story/2019/04/26/trumps-steel-car-tariffs-1384221

But the same definition raises serious questions about whether Trump's tariffs meet such criteria, or whether judges would instead identify them as a protectionist measure, as is argued by the EU, China and others. "It’s an extremely significant ruling," said Lorand Bartels, a trade law expert from the University of Cambridge. "The U.S. is going to be furious. It certainly doesn’t suit their legal argument." Although **the panel decision has no official precedent value**, Bartels said it sets a threshold "that cannot be ignored" by future rulings on national security cases. Significantly, the EU, China and four other countries last year launched WTO casesagainst Trump's steel and aluminum duties, which are expected to be ruled on in 2020. Robert McDougall, a former Canadian trade official, agreed the Russia-Ukraine ruling "will have persuasive value" for similar WTO lawsuits because it sets thresholds "as prudent and as well-reasoned as one could expect for a national security case."

F2 EU Recession won’t go global

- [A2 2012 didn’t go global] Priewe ‘19: The European Central Bank saved the EU in the 2012 crisis, but now the ECB has no ability to bail out the economy.

- US recession as well

ECB stepped in for 2012 crisis

Priewe, Jan. “Could Europe face the next recession?” Social Europe. 3/19/19//SSK

https://www.socialeurope.eu/the-next-recession

Thus, the eurozone would slow down towards recession without appreciable stabilisation facilities. The political consequences of rising unemployment, especially in countries with still high unemployment—such as Greece, Italy, Spain, Portugal and France—would be fatal. More unemployment likely feeds populist sentiments. Trust in the European Union would drop further. **In short, Europe, and especially the eurozone, is not prepared for a recession.** The macroeconomic framework is blocked. The biggest obstacle is the mental repression of the problems, apart from uncertainty about political majorities after the upcoming European Parliament elections and the formation of the new commission. **In 2012, standing on the brink, the ECB rescued the eurozone. But Draghi’s famous words then—announcing a monetary stance of ‘whatever it takes’—have died away. There will be no repetition, and not only because he is soon out of office. The European Council has not done its homework and, above all, there is a quasi-hegemonic country which loves the status quo as well as rejecting all reform proposals.** We are left hoping there may be guardian angels—in China, the US or elsewhere—who will save us from recession. Treaty changes would be necessary, in principle, to make progress on the six areas of reforms set out above. Yet much could be done even without them. Important ingredients of the SGP fiscal-policy framework are based on regulations made by the commission, the Eurogroup of eurozone finance ministers and the Council of the EU. Not everything is set in stone.

F2 EU Recession not severe b/c of budget surplus

- Brian ‘19 Marketwatch: Even though some European countries have surpluses...
  1) The three largest European economies have high debt and lack the fiscal space to spend
  2) The ones that can’t aren’t willing to spend during the recession in order to keep the debt in check

Surpluses won’t prevent recession

Briancon, Pierre. “Why the ECB’s calls for fiscal stimulus are playing on deaf ears.” Market Watch. 9/17/19//SSK

https://www.marketwatch.com/story/why-the-ecbs-calls-for-fiscal-stimulus-are-playing-on-deaf-ears-2019-09-07

Even though, taken as a whole, the eurozone’s fiscal deficit is negligible, at 0.5% of gross domestic product last year, it is the result of wide disparities among the 19 members of the monetary union. Some of those are already at a level of public debt that makes increasing deficits difficult, even in an era of low or even negative interest rates. **Three of Europe’s largest economies - France, Italy and Spain - have accumulated debt levels (97%, 98% and 132% of GDP) that constrain their ability to increase spending. They are already running budget deficits of about 2.5% of GDP, which puts another limit on their fiscal leeway**. Because Italy is in the cross-hairs of the European Commission concerned about its debt level, and neither France nor Spain want to turn back on the hard road to fiscal credibility, these governments are happy with the ECB’s calls for fiscal action in the countries that can afford it. They also argue, along with most economists or organizations such as the OECD and the IMF, that monetary policy wouldn’t have to be so loose, or interest rates so low, if fiscal policy contributed to boosting growth, instead of being roughly neutral, eurozone-wide, at this stage. 2 - The countries who can, won’t. **The problem is that the countries what could afford a fiscal stimulus don’t want to. This is true of the Netherlands, which booked a 1.5% budget surplus last year, with debt at around 52% of GDP. At least the Dutch economy is expected to grow 1.7% this year, according to ING analysts, more than the eurozone average, seen in a recent ECB forecast to grow only 1.1% in 2019. But that cannot be said of Germany, which is teetering on the brink of a recession due to the slowdown in world trade and the many problems of its automobile industry. The coalition government has only recently indicated that it might boost spending to take the current slump into account, but it will only do so by following its constitutional and legal requirements**. There is more spending capacity even under these rules than the government admits: The “debt brake” set in stone in the Constitution allows for a limited structural deficit, which would be possible now that public debt is below 60% of GDP and shrinking. Another rule, the so-called “Black Zero,” requiring the government to balance its books, is a self-imposed limit the government has set itself back in 2014. It has come under fire from some political parties including the social democrats who govern along with Merkel's conservatives. And even the German business lobby is arguing that the time has come for a major debt-financed public investment program.

F2 Trade outweighs tariffs

- Fuck you cuz the BRI doesn't do anything
- Tariffs cause immediate recession, while the BRI will only recover the economy far in the future

F2 Recession inevitable

- Lawson '19 of Oxfam: Every minute of the recession, an additional 100 people fall into poverty.

F2 Developing countries recover from recession in 1 year

- Hurts long term growth. Picker '15 of NBER: Recessions have long term impacts as the last recession permanently reduced potential economic output by 8.4% percent, which is how much Germany contributes to the global economy. This definitely outweighs $60 billion.

Recessions have long-term effects

Picker, Les. "Long-Term Damage from the Great Recession in OECD Countries." National Bureau of Economic Research. 2015//SSK

https://www.nber.org/digest/nov14/w20185.html

In Long-Term Damage from the Great Recession in OECD Countries (NBER Working Paper No. 20185), Laurence M. Ball uses OECD estimates of potential output in 23 countries to quantify the long-term damage from the Great Recession. For each country, he takes the path that potential output was following before the financial crisis, according to OECD estimates from December 2007, and extrapolates this path through 2015. He then compares this pre-crisis trend to estimates of potential output in the most recent vintage of OECD data (May 2014), and interprets the differences as effects of the recession. To check robustness, he performs a similar exercise using IMF estimates of potential output from October 2007 and from April 2014. Ball finds that the recent recessions have had dire effects on economies' productive capacity, as measured by OECD and IMF estimates of potential output. In most countries, the fall in potential relative to its pre-crisis trend has been almost as large as the fall in actual output. Consequently, the countries with the deepest recessions have also experienced the greatest long-term damage. **By aggregating the 23 countries in his sample, the author finds that the loss of potential output relative to the pre-crisis path is 8.4 percent in 2015. To appreciate the size of this loss, note that Germany accounts for 8.2 percent of the aggregate economy. The total damage from the Great Recession is slightly larger than the loss if Germany's entire economy disappeared.** Ball suggests that recessions sharply reduce capital accumulation, have long-term effects on employment - largely through lower labor force participation - and may slow the growth of total-factor productivity. This last effect is poorly understood. One possible mechanism is a decrease in the formation of businesses with new technologies. A pressing question is whether hysteresis effects are reversible. Perhaps a strong economic expansion could push potential output back toward its pre-crisis path as procyclical investment increases the capital stock and plentiful job opportunities increase workers' attachment to the labor force. Ball concludes that further research is needed on the mechanisms and magnitude of long-run hysteresis.

F2 Europe can form new supply chains

1. FEE '17: Tariffs imposed in the 1960s still hurt consumers today, so clearly companies aren't able to form new supply chains

https://fee.org/articles/chicken-tax-makes-trucks-expensive-and-unavailable/

As absurd as that may seem, when I read about the Chicken Tax, it made me think of Bastiat's Crusoe story. The Chicken Tax is just as absurd. The people being hurt by this tax are American and Canadian consumers. Their options are reduced since some European manufacturers like Volkswagen don't even bother trying to sell Amoraks or other light trucks in North America. Furthermore, today's prices are higher than they should be since Ford and other manufacturers are kicking figurative planks back into the sea when they engage in the destruction described above. All because of this tax. It is absurd that, except for light trucks, all other components of this tax have been repealed. It is also absurd that the Chicken Tax is ten times that of a normal tariff. It's absurd that even American companies like Ford are engaging in wanton destruction to avoid this tax. And it is almost criminal that the tax on light trucks came about because of graft in the Lyndon Johnson administration.

Recession Defense

US Recession

F2 Chinese Trade War

1. Yahoo from 1 week ago: US-China trade war is causing the economy to cool, but it is not enough to cause a recession. US-EU trade war is uniquely the worst, as CNBC '19 finds that America's trade with Europe is way bigger than US-China trade.

Trade war will not lead to recession

Lagerquist, Jeff. "Canada, U.S. not headed for recession, but it's really up to Trump: Scotiabank." Yahoo Finance. 10/10/19//SSK

https://finance.yahoo.com/news/canada-us-not-heading-for-recession-but-its-really-up-to-trump-scotiabank-204026316.html

Canada and the United States are headed for slower growth, not a full-blown recession. But more Trump-fuelled global drama could change that in an instant. That's among the takeaways in an economic outlook report from Scotiabank titled "A Most Uncertain World." Chief economist Jean-François Perrault holds the U.S. President's trade policies and a "raft of other Trump-related developments" responsible for the current pull-back in global business spending and confidence. **"Growth is a victim of the China-U.S. trade war,"** he wrote in the report, which calls for uncertainty to rise through 2020 before gradually abating in 2021. "This view assumes that President Trump will seek some degree of stability in the lead-up to the 2020 Presidential election." Trump is set to meet with China's negotiating team led by vice-premier Liu He at the White House on Friday. It's the thirteenth round of trade talks between representatives of the world's two largest economies. U.S.-China relations have been increasingly strained in recent weeks, exacerbated by a tweet from an NBA general manager in support of Hong Kong's pro-democracy movement, and new U.S. sanctions over China's human rights record. Perrault notes the protracted trade spat is having a measurable impact on the American and Canadian economies. "We have formally included measures of uncertainty in our macro models for the U.S. and Canada, and find clear evidence that the rise in uncertainty under President Trump has reduced U.S. and Canadian output by 0.75 and 0.5 percentage points through 2019, with that impact expected to increase through 2020," he wrote. **"Growth will slow in both countries given the weight of uncertainty to date, as can be seen in PMIs (Purchasing Managers' Index), but there are no imbalances large enough in either economy that could lead to a recession."**

US-EU trade

Amaro, Silvia. "A trade war with Europe would be larger and more damaging than Washington's dispute with China." CNBC. 2019//SK

https://www.cnbc.com/2019/08/22/why-a-us-trade-war-with-europe-would-be-more-damaging-than-china.html

The United States has more to lose from a full-blown trade war with the EU than it does with its current conflict with China, experts have told CNBC. President Donald Trump has kept up his tough rhetoric against the European Union despite focusing on Chinese tariffs in recent months. But his administration is due to decide in November whether to impose duties on one of most important industries in Europe: autos. There have already been tariffs on European steel and aluminum — which led the bloc to impose duties of 25% on $2.8 billion of U.S. products in June 2018, and, there's an ongoing disputeregarding Airbus and Boeing — but experts believe a wider spat with Europe would be much more damaging than the current tit-for-tat with China. Leaders of the G-7, the world's seven largest economies, are due to talk global trade at a meeting in France later this week. "**EU-U.S. trade matters most. It is by far the biggest single bilateral trade flow in the world**," Florian Hense, an economist at Berenberg, told CNBC via email.

F2 Yield Curve

1. <u>CNBC '19</u>: Because of the Fed's Quantitative easing, the yield curve is no longer an accurate predictor of recession.

Yield curve not accurate

"The yield curve is no longer a reliable recession predictor, according to Wells Fargo Securities." CNBC. 2019//SK

https://www.cnbc.com/2019/05/31/yield-curve-is-no-longer-a-reliable-recession-predictor-wells-fargo.html

<u>The yield curve's predictive power is waning</u>, according to Wells Fargo Securities. Many see yield curve inversions — when long-term rates fall below short-term rates — as precursors to a recession. The most recent inversion saw the 3-month Treasury bill's yield cross above 10-year note yields in the widest divergence since the 2008 financial crisis. But if you take a closer look at what's driving the yield curve, it becomes clear why it may no longer be a reliable forecasting tool, says Michael Schumacher, managing director and global head of rate strategy at Wells Fargo Securities. "From our perspective, you've got to break down the yield curve into a couple components," Schumacher said Thursday on CNBC's "Futures Now," calling the 1-year rate and anything shorter "essentially the Fed zone. The Fed's got that locked down. You can't really change a 6-month rate or a 1-year rate unless the Fed steps in." When it comes to anything longer-term, however — the 2-year, 10-year and even 30-year Treasurys included — "it's a free-fire zone," the rate strategist said. "The market's dictating those rates. They've been driven largely by trade, [and] maybe some other risk-off factors," Schumacher said. "But it's really that deviation between the Fed on the very front end and risk-off concerns on the back end. **<u>That's why the curve is inverted in our view, and that's why we think it's not really a recession predictor at this point."</u>** As for 10-year yields themselves — which fell to a new 20-month low in overnight trading Friday after the Trump administration said it would place 5% tariffs on all imports from Mexico starting June 10 — "we still think that the bottom is near," Schumacher said in a Friday phone call with CNBC.

F2 Corporate Debt

1. <u>Dean Baker of the CEPR</u>: The corporate debt bubble will not pop because companies went into debt at extremely low interest rates.

Corporate debt not a problem

Baker, Dean. "The Corporate Debt Stories Show People Still Don't Understand the Great Recession." CEPR. 2019//SK

http://cepr.net/blogs/beat-the-press/the-corporate-debt-stories-show-people-still-don-t-understand-the-great-recession

But moving beyond the misconceptions about the Great Recession, the question is what risk does the current buildup of corporate debt pose? The first point to note here is that just looking at debt levels, or even debt as a share of GDP, is misleading. Interest rates are considerably lower today than they were before the Great Recession. **<u>The interest rate on high-quality long-term bonds, which had been in the 5.0 percent to 6.0 percent range before the downturn, has been under 4.0 percent for the last seven years. The rates on high-yield bonds are correspondingly lower</u>**. This means that a larger debt can still mean a lower interest burden. In addition, the profit share of income has increased considerably. This has been partly at the expense of wages, as the profit share soared in the weak labor market following the Great Recession, and partly as a result of the Trump tax, which radically reduced corporate tax burdens. **<u>Therefore, the ratio of debt service to after-tax corporate profits is not especially high</u>**. But carrying this a step further, let's suppose investors suddenly lost confidence in the corporate bond market and interest rates soared, especially on high-yield debt. What would be the devastating consequences in the real economy?

F2 Business Cycle

1. Carlson '17 explains, the frequency of recessions has drastically changed throughout US history, concluding there is no way to actually predict whether a recession is coming.

Oncoming downturns in the US economy is impossible to Predict (Carlson 17)

[Ben Carlson, Ben Carlson is director of institutional asset management at Ritholtz Wealth Management. He is the author of "Organizational Alpha: How to Add Value in Institutional Asset Management.", Bloomberg.com, "Don't Try to Predict the Next Recession - Bloomberg," 08/03/17, EK
https://www.bloomberg.com/view/articles/2017-08-03/don-t-try-to-predict-the-next-recession

I understand why so many people are intent on calling for a recession. It's bound to happen eventually. The business cycle is called a cycle for a reason. But **the economic machine doesn't operate on a set schedule**. As defined by the National Bureau of Economic Research, here is every recession in the U.S. going back to the Great Depression: The Great Recession looks tiny in comparison to the downturns the economy experienced in the 1930s and 1940s. It's worth remembering the U.S. was once an emerging market. **From 1836 to 1927, the country went into a recession every three years or so.** The average contraction was a drop in GDP of 23 percent. **Since the 1980s, recessions have been fewer and far between as the U.S. economy has matured**. If the current expansion lasts another two years it will be the longest on record in the U.S. Even if I were to tell you the exact date when the next recession will hit, you still may not be able to profit from this knowledge as much as you think. Take a look at the performance of the S&P 500 during, leading up to and after each one of these recessions: The stock market was actually up during half of the past 14 recessions. Stocks don't show any clear signs of melting up or melting down in the lead-up to an economic downturn either. Stocks are supposedly a forward-looking indicator, but looking at the performance in the six months prior to a recession, it doesn't appear to have a very solid forecasting track record. **There's no rhyme or reason for the market's performance during these slowdowns**. While stocks got crushed during the Great Depression, the most recent recession and the recession of 1937, the double-digit contraction in 1945 saw a big uptick in stock prices. The highest-probability bet for investors is to invest when the recession is over. The median gain in the 12 months after a recession is over was 14 percent. **What makes this even more difficult is the fact that many people don't even know we're in a recession when it's going on.** While it was fairly clear in late 2008 that something terrible was happening with the economy, NBER didn't announce it was a recession until December, a year after it officially began and just six months before it was over. The recession that began in the summer of 1990 wasn't officially declared until April of 1991, a month after it was done with. The mild contraction that began in 1980 wasn't announced until a year later, just as the country was heading into yet another recession. The point is that **each economic and stock market environment is unique**. There are no playbooks that will tell you when to get out and when to get back in again. The severity of the next recession will have a lot to do with how things play out in the stock market, but it all depends on how well investors handle it when it finally arrives. **The level of panic** will rule the day, and that's not something that **can [not] easily be calculated or forecast.**

F2 Stock Bubble

1. Yahoo '19: No stock bubble

No stock bubble rn

"Whatever the Future Holds, Stocks Are Not Priced for a Recession." Yahoo. October 6, 2019//SK
https://finance.yahoo.com/news/whatever-future-holds-stocks-not-110001623.html

Ten years of gains have fattened price-earnings ratios in U.S. stock benchmarks. Based on profits already booked, the S&P 500 currently trades at about 19.4 times income, while the Nasdaq 100 fetches 24.4 times. **Those ratios arguably make sense during an**

expansion, especially when interest rates are so low. Should growth seize up, as it has shown signs of doing lately, look out. "**Large-cap valuations are** high, **not in bubble territory**, but if we do stumble into recession over the next year, which I think is likely, I think we'll see below 2,000s on the S&P," said Doug Ramsey, chief investment officer of Leuthold Weeden Capital Management. "It's very easy to get there. We don't need to assume that you go back to old bear market lows." Extreme view? Yes. A decline like that would be 50% worse than the crash that landed on stocks a year ago. But outcomes like the one envisioned by Ramsey are why making odds on a recession can be the only calculation that matters for equity investors, who tend to enjoy gains as long as the economy isn't contracting.

EU Recession

1. PR Newswire from 1 week ago: Current slowdown is not severe enough to cause a global recession.
    a. Meyer '18 of Fortune: Auto tariffs would mean a much more severe EU recession and would cause a US recession, causing a global recession.

Cause US recession

Meyer, David. "Trump Tariffs on European Cars Could Plunge Germany and the EU into Recession." Fortune. 2018//SK

https://fortune.com/2018/09/27/trump-tariffs-european-cars-recession/

A new report commissioned by the German government shows that **the country—and indeed the wider European Union—could plunge into recession if there is an escalation of trade disputes with the United States. And if the EU strikes back in those disputes, the researchers said, the result could be recession in the U.S**. As things stand, the U.S. is levying tariffs on imports of EU steel and aluminum, while the EU has retaliated with tariffs on $3.2 billion worth of U.S. imports. U.S. President Donald Trump has long wanted to stop Germany exporting luxury cars to the U.S., and the EU was mulling a large-scale retaliation if he were to follow through on that threat. The two sides agreed in July not to step up their dispute, but last month Trump seemed to be getting impatient, as he again threatened a 25% levy on imports of European cars.

F2 German slow growth

F2 Italy debt

F2 Brexit

1. Portes '18 of the Independent explains that Brexit couldn't cause a recession, because the UK government would still be able to borrow its own currency at low rates and the fall in the value of sterling would actually make UK companies foreign currency earnings more valuable.
    a. Whatever bricks who say brexit, will def not give a warrant on why brexit will cause a recession.
2. All of their evidence assumes that its a brexit no deal, but what Rankin '19 of the Guardian finds the EU and the UK are currently reaching a deal for brexit.

Portes, Johnathan “A no-deal Brexit may not cause a recession, but it would rob us of prosperity in the long run” Independent 2018//MN

If and when **__no-deal Brexit actually hits, will the result be a crisis in financial markets? I think not.__** Sterling would almost certainly fall in the run-up to no deal and remain low. **__But, with a floating exchange rate, this doesn’t in itself constitute a crisis. Nor would falls in equity markets (which in any case would be cushioned by any fall in sterling, since it would make UK companies with foreign currency earnings more valuable). And while it is possible, indeed likely, that the UK’s credit rating would be downgraded, recent experience suggests that this is almost entirely irrelevant.__** While it is possible that long-term interest rates on government debt would rise (partly as a result of anticipated higher inflation, partly as a result of anticipated higher government borrowing) **__there is absolutely no reason to believe that the UK government won’t be able to continue to borrow in its own currency at rates__** which remain low by any historical standard.

Rankin, Jennifer “Boris Johnson's major U-turn sets up 48 hours to clinch Brexit deal” Guardian 11/10/19//MN

Boris Johnson has signalled that he will make a last-ditch U-turn on his plans for the Irish border, setting up 48 hours of intense negotiations that will make or break a Brexit deal. On a day of rapid movement in talks, EU sources said the prime minister had conceded that there could not be a customs border on the island of Ireland – a critical step away from his previous position. That came after European ambassadors prompted tentative hope of a deal by giving the green light for what some diplomats described as a “tunnel” discussion in which a small team of negotiators meet for intensive talks to find a break-through moment. The Democratic Unionist party and European Research Group (ERG), a group of rightwing Conservatives, later issued statements promising flexibility, keeping hope alive that Johnson could find support for a new offer in the House of Commons. But amid ongoing scepticism that a deal could be forced through in the short time left and with Angela Merkel due to hold talks with Emmanuel Macron on Sunday night, the prime minister faces a frantic race to push through his fresh proposals with Brussels or at home.

F2 70% chance of recession

Chinese Recession

1. [GROUP EVERYTHING -- 2 FRONTLINES] __Roach ‘17__:
    a. China is resilient, it hasn’t had a recession in 25 years.
    b. China has a national savings rate of 45%, meaning people have tons of money in China saved up to get out of a downturn.

China economy resilient to recessions because of high growth

Roach, Stephen. “China's economy is more resilient than people think. Here's why.” World Economic Forum. 2017//SK

https://www.weforum.org/agenda/2017/08/chinas-economy-is-much-more-resilient-than-people-think-for-this-reason

Yet nothing could have been further from the truth. When the dust settled on the virulent pan-regional contagion, the Chinese economy had barely skipped a beat. Real GDP growth slowed temporarily, to 7.7% in 1998-1999, before reaccelerating to 10.3% in the subsequent decade.

__China’s resilience during the Great Financial Crisis was equally telling. In the midst of the worst global contraction since the 1930s, the Chinese economy still expanded at a 9.4%__

average annual rate in 2008-2009. While down from the blistering, unsustainable 12.7% pace recorded during the three years prior to the crisis, this represented only a modest shortfall from the 30-year post-1980 trend of 10%. Indeed, **were it not for China's resilience in the depths of the recent crisis, world GDP would not have contracted by 0.1% in 2009, but would have plunged by 1.3% – the sharpest decline in global activity of the post-World War II era**. The latest bout of pessimism over the Chinese economy has focused on the twin headwinds of deleveraging and a related tightening of the property market – in essence, a Japanese-like stagnation. Once more, the Western lens is out of focus. Like Japan, **China is a high-saving economy that owes its mounting debt largely to itself**. Yet, if anything, China has more of a cushion than Japan to avoid sustainability problems. According to the International Monetary Fund, **China's national savings is likely to hit 45% of GDP in 2017**, well above Japan's 28% saving rate. Just as Japan, with its gross government debt at 239% of GDP, has been able to sidestep a sovereign debt crisis, China, **with its far larger saving cushion and much smaller sovereign debt burden (49% of GDP), is in much better shape to avoid such an implosion**. To be sure, there can be no mistaking China's mounting corporate debt problem – with nonfinancial debt-to-GDP ratios hitting an estimated 157% of GDP in late 2016 (versus 102% in late 2008). This makes the imperatives of state-owned enterprise reform, where the bulk of rising indebtedness has been concentrated, all the more essential in the years ahead.

F2 OC

1. Hedrick-Wong 18 of Forbes: Debt induced recessions don't happen in China. All of the debt is state-owned. In the 1990s, China just got rid of all the debt so the firms didn't close.

Yuwa Hedrick-Wong, 18, (), "The Myths About China's Economic Slowdown", Forbes, 7-23-2018, https://www.forbes.com/sites/yuwahedrickwong/2018/08/15/the-myths-about-chinas-economic-slowdown/#221f92dd5d55, DOA-7-19-2019 (MO) ***What is overlooked is the fact that virtually all China's debt is domestic, and most of it is owed by state-owned enterprises to state-owned banks.*** In other words, most debts are owed by one part of the government to another. Coupled with China's massive foreign reserves, this makes a debt crisis like that of Greece impossible. ***China dealt with a worse debt situation in the 1990s by removing the banks' non-performing loans and recapitalizing the banks.*** In the worst case scenario, the government could do so again; and today its fiscal power is stronger than in the 1990s. More importantly, the emphasis on deleveraging fails to understand a fundamental function of debt in an economy. One person's debt is another person's investment***. A high level of debt by itself is not a problem if it is productively invested.*** The best solution to China's debt overhang is therefore to gradually increase productively invested debt and at the same time writing off steadily the unproductive debt. While the overall debt level may not have changed (hence no appearance of deleveraging), but as long as the composition of debt is shifting from the unproductive to the productive, the debt problem is resolved while economic growth remains intact. ***This appears to be the course that the Chinese government is taking; curbing lending to state-owned enterprises, especially those in heavy industry suffering from over capacity,*** while maintaining supply of credit to more productive borrowers, especially private businesses in the service sector which now accounts for over half of the GDP. Hard data are difficult to come by; but the IMF's estimates of China's "incremental capital output ratio" (ICOR, the lower the value, the more productive the capital invested) show a decline from 7.07 in 2016 to 5.43 in 2017. This could just be a blip in the data, or the beginning of a trend, we just don't know. Only time will tell. ***For now, a debt-induced financial crisis in China is sheer fantasy.***

F2 Shrinking labor market

1.

F2 Trade war

1.

F2 Housing bubble

1. Lin '19 of South China Morning Post: writes that instead of selling houses older generations pass it down to younger family members, meaning younger generations don't use risky credit to buy the houses.

Lin, Zhang "Why China's housing market bubble won't burst any time soon" SCMP 2019//MN https://www.scmp.com/economy/china-economy/article/2181808/why-chinas-housing-market-bubble-wont-burst-any-time-soon or ordinary Chinese, buying property is a hedge against currency devaluation from credit expansion. When China started its opening and reform in 1978, the balance of M2, the broadest measure of money supply, was only 116 billion yuan. By the end of last year, M2 had reached 180 trillion yuan (US$26.6 trillion) – more than 1,500 times the money supply 40 years ago. That's why Chinese have been eager to buy property since the housing marketisation of the late 1990s, and especially after 2008, when the government introduced a huge stimulus plan to boost the slowing economy. The rapid expansion of credit in China has been good for the younger generation – it makes them much more optimistic than their parents. But the **older generation** has seen a rapid dilution of their pensions and savings, so if they want to l**eave something of value to their children, housing again is the best choice since property is one of the few assets they can hold ownership rights to. So it's safe to say that until the urbanisation drive ends, property prices will fluctuate – but we certainly aren't heading for a housing price crash any time soon.**

Card Appendix

BRI literally = a brand

Freymann, Eyck. "'One Belt One Road' Is Just a Marketing Campaign." The Atlantic. 8/17/19//SSK

Understanding OBOR as a branding campaign helps to explain its bizarre excesses. OBOR's most fawning devotees are not the developing countries that supposedly benefit from China's largesse, but the smaller nonstate actors closer to China that depend on the Communist Party's good favor: local officials and bureaucrats, universities, lower-tier cities, private businesses—including Western corporations from Boeing to Walmart, and from Samsung to Allianz—and nearly every large company and public institution in Hong Kong. **Chinese companies and local governments have used OBOR to brand everything from kitchenware to cosmetics, from opera to blood donations, from soccer to the social-credit system, from art shows to military hardware, and from beer to blockchain.** In big international contracts, **politically favored state-owned enterprises such as the shipping giant COSCO often get the choicest,**

highest-potential deals. Private firms and less favored state firms are left to show their loyalty by competing for scraps. These include most of OBOR's well-publicized risky ventures and white-elephant projects, such as the aborted plan to build a transoceanic canal across Nicaragua. To those acquainted with the rituals of ideological performance on which the Chinese party-state is built, Xi's assertion of ownership over the OBOR brand is a naked power play. Every attentive Chinese official knows that the "New Silk Road" was a common buzzword in policy circles years before Xi took power. In public, however, the same people resolutely credit Xi alone for proposing it. Instead of punishing opportunists who flippantly co-opt Xi's national brand for their own ventures, high-ranking Communist Party officials award them golden trophies for "outstanding OBOR brand contributions." Like the servile ministers in Hans Christian Andersen's classic fable "The Emperor's New Clothes," those who praise One Belt One Road as a novel strategy are actually performing loyalty to Xi and the Communist Party's monopoly over truth.

EU banks not funding the BRI in the status quo because of a lack of interest

Kamo, Tomoki. "Engaging but not endorsing the Belt and Road Initiative." Netherlands Institute of International Relations. May 2019//SK

https://www.clingendael.org/sites/default/files/2019-05/PB_China_Belt_and_Road_Initiative_May_2019.pdf

In Europe, Chinese Premier Li Keqiang had called for 'trilateral cooperation' between European and Chinese companies on the sidelines of the EU–China summit in 2015. Although the language has changed since then, the objective still stands, and several practical steps towards this end have been taken, with varying and oftentimes unknown outcomes. **At the EU level, the EU–China Connectivity Platform was initiated in 2015 and the EU–China Co-Investment Fund was signed between the European Investment Bank (EIB) and the Silk Road Fund**. Since then, **both sides have discussed the coordination of projects** (especially in Central and Eastern Europe), transparency (of planning and contracts) and possible cooperation in the Connectivity Platform – **with limited success**. In the eyes of European officials, China is still not ready to connect on project finance regulation. Separately, **several European players have signed bilateral MoUs with China**. Most remarkable among these may be the MoU between Germany's Siemens and China's Belt and Road Construction Promotion Center, which was signed in the presence of Germany's Chancellor Angela Merkel and China's President Xi in 2017. This business-to-government MoU focuses on the application of digital technologies for the BRI. **Several European governments have also signed MoUs for economic cooperation in third markets**. In September 2018, for example, Italy's Ministry for Economic Development (MISE) and the Chinese National Commission for Development and Reforms (NDRC) signed an MoU on collaboration in third countries, with Africa as the prime continent. On the occasion of Chinese Premier Li Keqiang's visit to the Netherlands in October 2018, China's Ministry of Commerce and the Dutch Ministry of Foreign Affairs signed an MoU on strengthening cooperation in third markets. According to the MoU, the two parties will establish a working group to support and promote the two countries' enterprises to conduct cooperation in a third-party market. While the MoU doesnot mention the BRI, it does include EU 'connectivity speak' in stating that projects under this MoU should be economically, environmentally and socially sustainable, with high standards of transparency and good governance. **Although the Chinese government's push for MoUs with a diverse set of European actors is evident, real follow-up and, hence, practical successes are more difficult to find**. For example, as of May 2019, no follow-up has been given to the China–Netherlands MoU. Even the working group has yet to be established. **Does this suggest work in progress? Hardly so. More likely, it signals a lack of interest, ability and opportunity perceived by both sides**. While the limitations imposed by the sheer (market-based) reality on the ground may explain the hesitation of the Dutch government to adopt a facilitative role, it also suggests failure on the Dutch side to consider this as an opportunity to engage Chinese players on the ground.

European people oppose Chinese economic practices

Taylor, Chloe. "Most Europeans see China's 'aggressive practices' as a threat to their economic interests, survey shows." CNBC. September 2019//SK

https://www.cnbc.com/2019/09/20/most-europeans-see-chinas-aggressive-trade-practices-as-a-threat.html

The majority of EU citizens believe China's "aggressive competitive practices" are a threat to their economic interests, a new survey has claimed. In a report published Thursday, the thinktank the European Council on Foreign Relations (ECFR) found that **57% of Europeans felt their country's economy, and the wider European economy, were being insufficiently protected by lawmakers from Chinese trade practices**. The ECFR polled 60,000 people across 14 EU member states to gauge voter sentiment toward foreign policies. Less than 20% of voters in each individual member state felt their country's interests were well insulated from aggressive Chinese competitive practices.

Europe will get investment regardless

“China’s Embrace of Italy Is Not About Investments, It’s About Influence In Brussels.” The Globe and Mail. April 13, 2019

https://www.theglobeandmail.com/business/commentary/article-chinas-embrace-of-italy-is-not-about-investments-its-about/#

The BRI itself is actually no big deal in the sense that there was nothing stopping China from making investments in Italy, or the rest of Europe, before Mr. Xi formally gave a name to the development strategy in 2013. According to a Financial Times article by Mr. Geraci that was published on Friday, along with other sources, **Britain over the past 15 years has attracted about 90billion of foreign direct investment from China. Germany has attracted 45-billion and Italy 22-billion**. Chinese investors own Italy’s Pirelli, one of the world’s top tire makers and have a big stake in Deutsche Bank. Until recently, Chinese businessmen owned Britain’s Aston Villa and Italy’s AC Milan soccer teams. **Nor did the lack of BRI prevent China from investing in European ports, some of which are in countries, such as France and Netherlands, that probably will never join the BRI**. **China’s biggest port investment in Europe, in Piraeus, near Athens, was made in 2016, two years before Greece signed up for the BRI**.

No correlation between the BRI and investment

Hillman, Jonathan. “China's Belt and Road Is Full of Holes.” CSIS. 2018//SK

http://www.iberchina.org/files/2018-2/bri_holes_csis.pdf

CORRIDORS: A MIDDLE VIEW Chinese officials have proposed six economic corridors, summarized in Figure 2 below, which provide a mid- level window into the BRI. ese corridors are outlined in the BRI’s foundational policy documents, comments by individual officials, maps, and articles publicized by Chinese state media. As President Xi underscored at the Belt and Road Forum in May 2017, “Infrastructure connectivity is the foundation of development through cooperation. We should promote land, maritime, air and cyberspace connectivity, concentrate our e orts on key passageways, cities and projects and connect networks of highways, railways and seaports. e goal of building six major economic corridors under the Belt and Road Initiative has been set, and we should endeavor to meet it.” Economic corridors are hardly unique to the BRI. As a concept, they gained popularity in the 1980s and 1990s, most notably through an Asian Development Bank (ADB) project to develop the Greater Mekong Subregion (GMS) in Southeast Asia. is geographically-targeted approach to development often begins by connecting cities, industrial centers, and other economic hubs with transportation infrastructure. Complimentary policies, including improvements to “soft” infrastructure, aim to help transportation corridors develop into economic corridors over time. If the BRI is following Beijing’s priorities on the ground, it is reasonable to expect that a higher level of activity will be occurring inside the corridors than outside them. Chinese officials have not provided the exact coordinates for these corridors, which would allow for a more finely- tuned geospatial analysis. But the o cial statements, documents, and maps referenced earlier make it possible to approximate the countries in each corridor, as Figure 3 summarizes below. With these definitions and project- level data, it is possible to compare project activity levels in countries that fall in a corridor with those falling outside the corridors. Project data was drawn from the CSIS Reconnecting Asia database. e research team maintaining that database uses an open- source methodology, drawing from statements by government agencies, regional development banks, project contracts, news articles, and other public information. Fitch Solutions also shares quarterly updates, which are based on open sources and o ered in its Key Projects database. **Approximately 380 Chinese-funded projects with varying levels of information were identified**. After dropping projects without su cient information, the analysis included 173 Chinese-funded infrastructure projects initiated between 2013 and 2017 across 45 countries on the Eurasian supercontinent. Western Europe was omitted from the analysis because its transport networks are already developed, and geographically, the region acts as an origin and destination rather than an intermediary linkage. Most of the projects included were transportation projects, which is consistent with the development strategies of past and current economic corridors, as described earlier. *Project activity on the ground is not adhering to China’s grand vision.* **Linear regressions were used to analyze the relationship between project activity and the BRI’s six economic corridors**. **The total funding and number of projects per country were initially examined as indicators of activity**. Due to transparency challenges, funding information could not be confirmed for several projects. e analysis proceeded with project counts as the primary indicator of country-level activity. Several additional country-level variables were included to help control for economic, political, and social factors that may contribute to investment di erences: GDP, GDP per capita, land area, population, distance from China, and governance indicators. A variable was also included to help control for having a coastline, which could make a country more likely to receive investment as part of the BRI’s maritime dimension. This analysis is an “easy” test of the BRI’s corridors in two respects. First, if Chinese o cials de ned each corridor as a speci c geographic area within the countries it passes through, then not every project within the country would necessarily be considered part of the corridor. This analysis assumes that all projects in a country are part of the corridors that pass through it. Second, the geographic scope for the analysis is limited to countries on the Eurasian supercontinent. For example, African and Latin American countries were not included in the analysis, even though both areas have Chinese-funded infrastructure projects. Neither region is formally part of the six economic corridors, so leaving them out decreases the relative amounts of funding in non-corridor countries. Sri Lanka, Indonesia, and other maritime-based countries were also excluded for the same reason. These decisions made it more likely that Chinese projects included in the analysis would fall within the corridors. Yet the results suggest that project activity on the ground is not adhering to China's grand vision. **For five of the six corridors, there appears to be no significant relationship between corridor participation and project activity, as summarized in Figure 4 below**. The China-Pakistan Economic Corridor (CPEC) is an outlier in at least two respects. First, CPEC is the only corridor that is signi cantly correlated with higher levels of project activity. at is logical given that it has often been viewed as the BRI's agship corridor. However, it is also the only corridor that connects China with a single country. As the next section explains, rather than serving as a model for the BRI's other corridors, CPEC could underscore the coordination challenges that China faces in overseeing and implementing the BRI. DETOUR: BEIJING'S CONTROL PROBLEM What explains the gap between China's o cial plans for the BRI and actual project activities on the ground? e statistical analysis above does not provide an answer, but it opens the door to speculation and further research. Of course, it is possible that Beijing has a private plan for the BRI, and that resources are in fact going toward those priorities. But other than CPEC, the results above do not provide evidence for any set of priorities, geographic (e.g., countries closer to China) or otherwise (e.g., better business environments). Moreover, if such a plan did exist, it would likely encounter many of the same coordination challenges that Beijing's publicly- articulated priorities appear to be facing, if not more. A more compelling explanation is that that interest groups within and outside China are skewing President Xi's signature foreign policy vision. Within China, interest groups at the regional, local, and rm level are incentivized to repackage their existing work as supporting the BRI and pursue new activities under the same banner. China's 32 provinces and regions are jockeying not only for economic gains but also the political spoils that come with advancing President Xi's initiative. By signaling that the BRI is likely to remain a focal point for years to come, adding the BRI to the Chinese Party Constitution last year made it more likely that "legitimate" activities and rent-seeking will continue under the BRI banner.

No funding rn

Perez, Cecilia. "The Belt and Road Initiative Adds More Partners, But Beijing Has Fewer Dollars to Spend." Jamestown Institute. September 23, 2019//SK

https://jamestown.org/program/the-belt-and-road-initiative-adds-more-partners-but-beijing-has-fewer-dollars-to-spend/

In October 2013, President Xi Jinping of the People's Republic of China (PRC) unveiled the Belt and Road Initiative (BRI), an ambitious plan to build infrastructure and improve transport connectivity in more than 60 countries across Asia and beyond. Since that time, the BRI has become so key to China's national grand strategy that it has been codified in the country's constitution (Xinhua, October 24, 2017). **To date, the PRC has signed BRI agreements with 137 countries. However, while memorandums of understanding between Beijing and BRI countries have ramped up—with 62 deals being signed with new partner countries from June 2018 to June 2019** (BRI Portal, undated)**—the increase in** political **partners has not led to a** comparable **increase in commercial activity**. The BRI is largely a branding strategy for not-for-profit construction that pre-dates the 2013 announcement. In general, energy projects have made up the bulk of BRI-related construction and investment abroad. Apart from energy, China has prioritized BRI-related construction projects in the transportation sector and investment in commodities. This fits with China's longstanding ambitions to secure its energy supply, and improve connectivity for commodities trade and transport links abroad. Recently, some observers have expressed concern regarding China's expanding influence in BRI countries' telecom industries. As evidenced in authoritative open source articles, Beijing has prioritized its Digital Silk Road (DSR) initiative, which is part of the larger Belt and Road Initiative. However, to date, relevant telecom deals have been minor. According to the Chinese Global Investment Tracker (CGIT) database, telecom deals make up only around two percent of investment projects and less than one percent of construction projects. [1] This may be because the DSR is still in its early stages. It is also worth caveating that the CGIT excludes smaller contracts and deals that do not reach the $95 million threshold. This excludes some satellite and fiber optic cable projects, which are specifically prioritized under DSR. However, **even as BRI publicity is being ramped up, and the initiative seeks to expand into telecom and other strategically important sectors, the PRC's foreign investment spending is not keeping up with these trends**. This article highlights a few possible reasons for this discrepancy: ranging from lower foreign exchange reserves to the possibility that Beijing is choosing to underreport the number of BRI projects following increased international criticisms of the initiative. This does not suggest that the BRI should not be scrutinized; if anything, this should prompt additional efforts to understand what comes next. BRI Construction Peaks—and Then Declines **Construction, not investment, is the main economic activity in the BRI**. For purposes of this article, investment is defined as a Chinese company taking (partial or complete) ownership of an asset, whereas construction is defined as an exchange of services for payment in the host country (AEI, July 10). When construction projects include a lengthy operational phase, such as build-operate-transfer projects, they are considered investments. Lengthy concessions to operate ports, like the lease held by China Merchants Ports (CMPort) on the Sri Lankan port in Hambantota (China Brief, January 5; China Brief, January 5), are also treated as investments. Aggregating BRI deals over $95 million from all current 137 countries **from the period of October 2013 through June 2019**, construction projects totaled $432 billion and investment totaled $257 billion in value. [2] Construction outpaces investment in the BRI due to both commercial and political reasons. On the commercial side, most BRI countries are developing countries with few profitable assets worth acquiring. On the policy side, China's overseas not-for-profit construction push is a symptom of the overcapacity problem within state-owned enterprises (SOEs). [3] SOEs carry out the overwhelming majority of contracting around the world, both within and outside of the BRI framework. The PRC's unwillingness to let SOEs fail results in a need to provide business projects for bloated firms—which in turn creates incentives for a constant stream of global construction projects. **Based on past years' data, we would have expected to see $6 to $8 billion more in construction funding during the first half of 2019. However, the number of BRI construction projects in the first half of the year fell by 40 percent, and the volume of funding fell by almost $14 billion in the same period**. In the past three years, the CGIT recorded an average of 83 construction projects in the first half of the year; however, in the first half of 2019 it only reported 58. One of the reasons for the drop could be diminishing transparency among Chinese companies: the BRI is personally tied to Chinese President Xi Jinping, and fear of failure, or fear of attracting criticism over BRI projects, may lead Beijing and relevant SOEs to reduce reporting of BRI-related activities. We can see from the above table that the peak year for construction in the BRI (and worldwide) was 2016. **Funding may have fallen in subsequent years due to competing demands on Beijing's foreign exchange reserves**. Chinese construction projects are usually accompanied by cheap financing from the Chinese government, and this financial support comes from China's foreign exchange reserves. [4] When the BRI was announced in 2013, foreign exchange reserves were rising consistently, peaking at nearly $4 trillion in June 2014 (State Administration of Foreign Exchange (SAFE), May 7, 2018). **Since then, foreign exchange reserves have dropped**, stabilizing around $3.1 trillion (SAFE, August 2019). **While this remains a significant amount, Beijing is becoming increasingly hard-pressed to throw money around**, especially when foreign exchange reserves are also being threatened by trade tensions with the United States (South China Morning Post, November 7, 2018).

BRI is meaningless, but the US misinterprets it

Freymann, Eyck. "'One Belt One Road' Is Just a Marketing Campaign'" Atlantic. August 2019//SK

https://www.theatlantic.com/ideas/archive/2019/08/beneath-the-veil-of-xi-jinpings-legacy-project/596023/

Washington's response to OBOR is to treat it as a dangerous geopolitical development—an investment initiative gone bad. The 2018 National Security Strategy accused China of practicing "predatory economics." Beijing is trying to build a "treasury-run empire," Secretary of State Mike Pompeo said last October, and "we intend to oppose them at every turn." **This is a misdiagnosis. China's global stock of foreign investments remains quite small for an economy of its size. Even the data on OBOR's official website show that capital flows to OBOR countries did not accelerate after Xi announced the program in 2013.** And China frequently uses signing ceremonies and creative arithmetic to inflate the perceived size of its investments. OBOR is not a Chinese Marshall Plan. It is more like a Chinese version of "Make America Great Again."

No global recession – inherency

"Global Economy Will Avoid Recession, and See Some Recovery in 2020." PR Newswire. October 10, 2019//SK

https://www.prnewswire.com/news-releases/global-economy-will-avoid-recession-and-see-some-recovery-in-2020-300936630.html

The global economy significantly weakened in 2019 to 2.3 percent growth in GDP, down from 3.0 percent in 2018. However, a small recovery in 2020 to 2.5 percent growth is likely, according to The Conference Board Global Economic Outlook 2020. In the longer-term, the global economy will grow at about 2.7 percent by the middle of the next decade. Consumers around the world will benefit from rising wages and low inflation rates, while businesses continue to leverage innovation and digital transformation to grow top-line revenue and reduce costs to avoid a major squeeze on profits. In addition to forecasts for 2020, *The Conference Board Global Economic Outlook 2020* provides projections for the output growth of the world economy, including 11 major regions and individual estimates for 33 mature and 36 emerging market economies for 2020–2024 and 2025–29. The critical component of the recovery in 2020 is the eventual bottoming out of the decline in industrial production. The slump, which originated in China in 2018, rapidly spread across the world in 2019 and upset global supply chains, pushing some economies (such as those in Germany and Japan) to the brink of recession. Emerging markets in particular will benefit from an industrial recovery, rising commodity and energy prices, and stable currencies. "The global economy has taken a bigger hit in 2019 than anticipated and it seems we have arrived in a world of stagnating growth," says Bart van Ark, Chief Economist of The Conference Board. "**But even though recession fears are widespread, we expect some recovery in 2020 as China's overcapacity problem is being addressed**, supply chains are getting restructured, the risk of an escalation of trade disputes recedes, and productivity growth continues to recover." **While output may still contract temporarily in some locations** (**for example, in Germany, Italy, Japan, or the UK**) as well as in some emerging markets (such as Brazil, Mexico, and Turkey), **robust labor markets and strong consumer spending will continue to provide an important contribution to growth for most countries**.

The current unusually large gap between the high level of consumer confidence and rapidly declining business confidence is likely to get resolved in favor of improving business confidence. "Consumers are certainly not immune to negative news, but they're less likely to respond until risks pose an immediate threat to their jobs, incomes, and lives," says Ataman Ozyildirim, Senior Director, Economic Research and Global Research Chair at The Conference Board. "Ultimately, the divergent views will have to come closer together. Consumer strength will most likely continue, while business confidence will recover, provided the industrial production decline eases and trade tensions recede." **Underpinnings of the 2020 Outlook Suggest a Plausible Recovery Scenario** **US GDP growth will slow moderately - US GDP will grow at 2.2 percent in 2020, supported by a modest improvement in investment, slower but still solid employment growth, strong consumer spending, and slightly faster productivity growth**. The external sector will detract from US growth in 2020 as the trade deficit keeps growing. If the economy weakens more than anticipated, there is room under current budget arrangements for more fiscal spending, which may be put to use, especially during an election year. **China's growth will slightly improve as industrial restructuring pays off** - The Conference Board forecasts China's GDP growth at 3.4 percent in 2020, according to its independent estimates. Provisional estimates for 2018 and 2019 show that China's growth rate slowed from 3.7 percent to 3.0 percent respectively. While China will show less inclination to launch any large additional fiscal and monetary stimulus packages, **it appears that excess capacity is being contained and might eventually be reduced**. Other emerging markets also show slight recoveries - Beyond China, other emerging markets will benefit from the bottoming out of the industrial cycle. Some Asian economies (e.g., Vietnam and Cambodia) will benefit from the reallocation of supply chains, and some large economies (in particular India and Indonesia) will continue to see rapid domestic growth. However, various large emerging markets will grow at less than 1 percent, including Brazil, Mexico, Russia, South Africa, and Turkey. The UK economy will enter a recession - Irrespective of whether a deal or no-deal Brexit emerges by late 2019 or early 2020, a contraction of the UK economy over multiple quarters will be difficult to avoid. If a no-deal Brexit emerges, the immediate impact on the economy depends on what share of companies are well prepared to offset negative effects from delays in bringing goods and services across borders with Europe and how disruptions in the flow of foreign workers are managed by the government. GDP growth for the Euro Area will weaken slightly more - Even though contraction for the aggregate Euro Area is likely to be averted in 2020, Europe's largest economy, Germany, might see negative growth in late 2019 and/or early 2020. The impact of a no-deal Brexit creates a downside for EU countries that depend the most on trade and investment in the UK, such as Belgium, Denmark, the Netherlands, and especially Ireland. Geopolitical uncertainties will be contained - Civil unrest in Hong Kong, skirmishes with Iran, and other geopolitical conflicts are assumed to be contained. If excessive volatility in oil prices is avoided with prices staying at moderate levels between US$50–70 per barrel, and currency turbulence is limited, global trade will slightly recover but grow more slowly than GDP. Monetary policy may not be a panacea - Loosening monetary policy, while creating greater long-term financial risks, such as increased national debt and misallocation of capital to low-yielding assets, will provide a floor of liquidity to keep the global economy afloat in the short term. However, the effectiveness of more quantitative easing and low or negative interest rates to drive faster growth is limited at best. Use of fiscal policy might prevent recessions - While there is no certainty about how much room individual governments in the US, China, or Europe have or how willing they are to intervene to head off a larger downturn through fiscal stimulus, there may be room for this in several economies, including Germany, Japan, the UK, and the United States. Longer-term challenges to the level of sovereign debt, in particular in the US and Japan, are muted but could erupt as interest rates go up and higher inflation eventually returns.

Trump current tariffs aren't that harsh, not much escalation

Roberts, Ken. "Trump's EU Tariffs: Not Particularly 'Spirited,' Despite Misdirection." Forbes. October 4, 2019//SK

https://www.forbes.com/sites/kenroberts/2019/10/04/trumps-eu-tariffs-not-particularly-spirited-despite-misdirection/#d3a2e216f390

President Trump responded quickly but, as the data shows, not forcefully Wednesday after the World Trade Organization ruled in the favor of the United States and Boeing in a 15-year battle with the European Union and Airbus over illegal government subsidies. One thing appears clear: He does not appear to be itching to get into a trade war on another front, the first being the acrimonious and grand tariff fight with China. **The WTO decision to authorize the United States to retaliate to the tune of $7.5 billion, while the largest such penalty in WTO history, is in reality a trifling amount. It amounts to little more than 1.5% of all EU imports into the United States** in 2018, which totaled $487.04 billion. **By comparison, U.S. tariffs on China have topped $250 billion** and Trump has threatened to put tariffs on the whole shooting match, $500 billion. Regardless of your opinion of the China strategy, it's hard to deny that's not forceful. The EU tariffs, on the other hand, lack bite for another reason. **The White House announced that it would put just 10% tariffs on aircraft and 25% tariffs on other specified imports**, effective Oct. 18. Again, **that's not particularly forceful, in light of the fact that the WTO gave the United States the latitude to implement**

tariffs of 100% on the $7.5 billion. Sure, there are some high-profile imports from the European Union on the list, things like Scotch, cheese, wine and aircraft, and they attracted a great deal of the attention. It is what magicians like to call misdirection. A rough approximation of the total value of the commodities targeted by the tariffs comes to not much more than $12 billion. (That's not $12 billion in tariffs. That's $12 billion in value for the commodities themselves.) In 2018, imports into the United States from the European Union of aircraft totaled $5.1 billion. Those imports, which face a potential tariff of 10%, are the largest percentage of the total that made the list and, of course, target Airbus. Wine accounts for another $2 billion, largely affecting France and Italy. Scotch and Irish whiskey account for about the same, most of it coming from the United Kingdom, more specifically, Scotland. Cordials like brandy total slightly less then $900 million. Interestingly enough, **Trump chose not to put tariffs on vodka, gin and the like**. Perhaps it is because wine and whiskey have U.S. competitors, which could conceivably benefit from price creases on the imported spirits, should they occur. Certainly, his critics cannot suggest he was thinking of his own interests since President Trump is well-known to be a teetotaler. The reason for the timid response? Well, Airbus has a similar WTO ruling in its favor in the wings, and will soon have the opportunity to levy its own tariffs. In addition, many U.S. airlines are Airbus customers. **Speaking of wings, there were no tariffs placed on aircraft engines or aircraft components, either. On this one it's clear: President Trump, if he is interested in a larger fight, is only taxiing down the runway at the moment and not yet ready for takeoff**. And you can bet your boots the automotive industry, which has regularly been a subject of the president's scorn, is watching.

Airbus won't cause tit-for-tat

Rosenberg, Mark. "WTO Airbus Ruling Won't Aggravate U.S.-EU Trade Relations; Auto Tariffs Remain Unlikely." Forbes. October 7, 2019//SK

https://www.forbes.com/sites/markrosenberg/2019/10/07/wto-airbus-ruling-wont-aggravate-u-s-eu-trade-relations-auto-tariffs-remain-unlikely/#4d9c292a60b3

This week's WTO ruling in the long-running Airbus dispute -- which found that Airbus received illegal subsidies under international trade law -- has given the U.S. license to implement retaliatory tariffs against the EU; the tariffs are anticipated to take effect on 18 October. Importantly, **the WTO ruling comes shortly before President Trump's previously extended six-month deadline to decide whether to impose tariffs on imported automobiles**. **Ahead of the mid-November deadline, we continue to maintain our forecast that the U.S. will not ultimately impose the tariffs**; **we similarly forecast that the WTO ruling is unlikely to substantially aggravate broader U.S.-EU trade relations**. Per the figure below, while we currently forecast U.S. Investment/Trade Policy Risk to rise in the weeks immediately following the deadline, we view the pending 12/15 imposition of another round of U.S. tariffs targeting Chinese imports as the most likely driver (see our analysis here).

Trade war link card

Trigkas, Vasilis. "Nato and China summits give Europe a chance to assert its interests and stabilise the global order." South China Morning Post. July 2018//SK

https://www.scmp.com/comment/insight-opinion/united-states/article/2153948/nato-and-china-summits-give-europe-chance

If negotiations accelerate and China and the EU reach a final accord by the end of the year or early 2019, this would complicate US efforts to rebalance its economic relations with China. It could push trigger-happy Trump to unleash tariffs against European exporters at a moment when the EU has just found its economic pace. Any benefits from a bilateral investment treaty with China may be undone by a full-scale transatlantic trade war and an utterly divided West. The EU should thus only accept a transparent deal with China, making investment relations reciprocal and balanced without alienating Washington. Chinese companies enjoy easy access to funding by state-owned banks and are able to increase financial leverage and competitively bid for the EU's crown jewels. **The US sees the trade war as a tactic to contain China.** So does Beijing European companies have no similar capacity, and the EU has no screening mechanism to deter such activities. The bilateral investment treaty should thoroughly and bindingly address these issues. Such a balanced China-EU treaty could even serve as a model for a prospective commercial rapprochement between Beijing and Washington.

Tariff link card

Duesterberg, Thomas. “Trans-Atlantic Trade Is Headed Toward Disaster.” Foreign Policy. April 2019//SK

https://foreignpolicy.com/2019/04/05/trans-atlantic-trade-is-headed-toward-disaster/

Trump certainly does not help matters by constantly invoking the looming threat of tariffs. While his proposed auto tariffs are a bad idea, Trump’s frustration with Europe can certainly be understood. Congress could help by limiting the president’s power to use tariffs but needs to suggest alternatives to incentivize Europe to act. Failure to bridge differences in the dispute settlement problem and agree on broader WTO reform could result in the effective demise of this foundational part of global economic order. Unfortunately, some **EU leaders** in recent weeks have further raised tensions by promoting subsidized industries, as they did with Airbus and contemplate doing for artificial intelligence and electric batteries, in the guise of national champions; renewing an easy money policy that weakens the euro; siding with the Chinese mobile communications powerhouse Huawei in the dispute over 5G deployment; and **joining China’s multibillion-dollar Belt and Road Initiative**. This **may be enough to provoke Trump into pulling the trigger on auto tariffs and send the global economy into a tailspin**.

best evidence on tariffs

Feffer, John “Trump’s Trade War is About Trump, Not China” IPS 2018//MN

At first glance, Trump’s move seems to make little political sense. He’s going against a good chunk of his own party, which has uncritically embraced free trade for years. The president’s moves may complicate Republican chances in the mid-term elections, since Republican candidates must now either run against the president on a pocketbook issue or unconvincingly change their stripes at the last moment. **But Trump’s move may preserve (or even expand) his own base of support in key swing states — and thus his chances for reelection in 2020. Don’t underestimate Trump’s willingness to destroy his party, his country, and the global economy in his quest to make himself “great” for a second term. On the tariff question**, the surprising thing is not Trump’s decision. After all, he’s been touting tariffs ever since he began talking politics back in the 1980s. What’s truly bizarre are some of the people who are praising his recklessness and thus reviving his political fortunes. Trump has generally gotten along with Xi Jinping. He’s repeatedly praised the Chinese leader, continuing to do so even as the trade war heats up. It’s possible that the two countries will negotiate away their differences behind the scenes, which they could have done without all the tit-for-tat drama of the recent tariff-slinging. In fact, China has already shown some flexibility. But **China represents something else for Trump. It’s the fulcrum of the economic nationalism that Steve Bannon brought to the White House, a way for Trump to keep enflaming his base of support in pivotal states in the lead-up to the 2020 election**. Trump is following the Bannon playbook — to remake the Republican Party. **The trade issue is the tip of the spear of this strategy.** Back in June 2016, Zakaria wrote that “**it is stunning that serious conservative Republicans who are devoted to free-market ideas are backing Trump, looking the other way and crossing their fingers. The cost of doing so is now clear: Trump will transform the GOP into a protectionist, nationalist party**.”The Democrats are likely to win back the House in 2018, and they have a shot at getting the Senate as well. That might pose a problem for Trump on a number of fronts, including immigration and the environment. But on economic issues, Trump could very well partner with Democrats and cut out all the Republicans who remain wedded to the “globalist” model. That’s a nightmare scenario for Mitch McConnell, Paul Ryan, and the Koch crowd. But start preparing yourself for the prospect of Donald Trump running again in 2020 **on a trans-partisan platform of economic nationalism that touts his “achievements” on trade and infrastructure. Such a pitch will appeal to precisely the swing states that supported him in 2016.**

A2 Trump losing popularity in swing states

Blake, Aaron. “Trump’s approval is way down in key states — as long as you compare it to that one time he was popular 31 months ago.” Washington Post. August 2019//SK https://www.washingtonpost.com/politics/2019/08/27/trumps-approval-rating-sinks-every-battleground-state-other-overwrought-polls/

As someone who has written repeatedly about how grim President Trump's poll numbers are — and thinks he's in more trouble than many other analysts do — let me say this: **That new poll that supposedly proves it? It's overwrought.** Both the Drudge Report's banner and recently self-appointed anti-Trump crusader Anthony Scaramucci on Tuesday lifted up **new polling from Axios and the Morning Consult. "Trump's net approval rating sinks in every battleground state," read the Axios headline.** "More disapproval ahead for @realDonaldTrump," Scaramucci declared. "A shuffling disaster." "TRUMP TROUBLE IN TOSSUPS?" reads Drudge's headline, which has since been pushed below the banner. For those who want a better look at the chart, here's Axios's tweet: Those shifts look pretty damning. He has lost 18 points off his old net approval rating (approve minus disapprove) in New Hampshire, 20 points in Wisconsin, 18 in Michigan, 18 in Nevada, 26 in Arizona and even 23 in Florida. **What could account for such shifts? The answer: because it's being compared with the very beginning of his presidency, which was a high point of his presidency and many other presidencies**. As Axios discloses (but other promotion ignores), **his current numbers in these states are being compared with those from January 2017. That's when he was inaugurated. Pretty much every president is popular upon inauguration, meaning that if you compare their later approval ratings to that, you're likely to find some sort of regression.** Barack Obama's approval rating upon his inauguration was in the mid-60s, for example, and he never reached that height again. George W. Bush's was in the high-50s, and it's not unreasonable to think it might never have topped that if not for the unifying effect of 9/11. Bill Clinton was around where Bush was to start, and he dropped below that for almost his entire first term. That means this chart would have looked fairly similar for him — right up until the 1996 general election, which he won. **The biggest problem is that this creates the appearance of change, when Trump's numbers have shown very little of that. He has had some of the most remarkably static approval ratings for a president, in fact, and there is little reason to believe that has changed much in recent weeks, months or really since the start of 2018. His inauguration is about the only point in his presidency to which you could compare today and see much of a difference.** There is simply very little utility in comparing his numbers to then, and much less in suggesting that these polls, which were conducted 31 months apart, present some kind of informative movement. Next to other, more recent polling, the numbers aren't even that surprising, and some of them are pretty good for Trump, if they're accurate. Trump's net approval is minus-10.4 (43.2 percent approve minus 53.6 percent disapprove) in the RealClearPolitics national average. So the fact that he's minus-14 in Wisconsin, minus-11 in Michigan and minus-8 in Pennsylvania — the three key states he won very narrowly in 2016 — is hardly surprising. The idea that he's just minus-4 in Virginia (which he lost in 2016) and minus-1 in Florida (which is hugely important) would be very good for him. **A better comparison than to Trump's inauguration would be to his election, before he got the inaugural bump. His favorable rating on Election Day 2016 was minus-29 in Wisconsin, minus-20 in Michigan and minus-14 in Pennsylvania, according to exit polls — all worse than his new approval numbers in those states**. Favorable rating isn't completely analogous to approval rating, and he benefited in 2016 from a similarly unpopular opponent in Hillary Clinton. But as you can see, it's hardly necessary that he be above-water in any of these states. Trump may be in trouble, but this is hardly adding to the data that demonstrate that. And when you see polls suggesting some kind of big shift in Trump's numbers, you should always be wary.

Trump auto tariffs will create a recession

Heeb, Gina. "Trump's proposed car tariffs could trigger a global growth recession, BAML says." Markets Insider. 2/21/19//SSK

While that could benefit some American automakers and reduce bilateral trade deficits, it would also risk adding thousands of dollars to the price of vehicles, and raises the threat of retaliatory duties that could worsen global trade tensions. "In a worst case scenario, **fullblown titfortat auto tariffs could trigger a global recession," analysts at Bank of America Merrill Lynch wrote in a research note out this week, adding they would expect growth in the world economy to fall nearly a percentage point to 1.2%. By increasing the price of vehicles and imported materials, they could threaten jobs, consumer spending, and investment.** The analysts estimated that they would add $2,000 to $7,000 to price tags of both imported and American-made vehicles, posing even greater risks than the global trade tensions that emerged last year.

Recession pushes 900 million into poverty

"Economic Shock Could Throw 900 Million People Into Poverty." IMF. 2013//SK

https://www.huffpost.com/entry/global-poverty-900-million-economic-shock_n_3022420

Hundreds of millions of people worldwide are on the brink of poverty. **A recent study by the International Monetary Fund warns that as many as 900 million people could fall back into poverty in the event of an economic shock** like the Great Recession. That figure is three times the size of the U.S. population.

100 people go into poverty every minute of recession

Lawson, Max. "100 people every minute pushed into poverty by economic crisis." Oxfam International. September 2009//DY

https://www.oxfam.org/en/pressroom/pressreleases/2009-09-24/100-people-every-minute-pushed-poverty-economic-crisis

The G20 should take urgent action to protect poor countries from **economic crisis that is forcing 100 people-a-minute into poverty, Oxfam said today. Developing countries across the globe are struggling to respond to the global recession that continues to slash incomes, destroy jobs and has helped push the total number of hungry people in the world above 1 billion.** The economic crisis arrived as poor countries were already struggling to cope high food prices and floods, droughts and food shortages linked to climate change. Oxfam analysis of economic data has discovered that governments in Sub-Saharan Africa will be $70bn worse off this year as a result of the global slump and unlike rich countries they cannot borrow their way out of trouble. Without outside help governments will find it increasingly difficult to respond to the climate, food and economic crises and to avoid cutting spending on schools, clinics and other anti-poverty programs.

Even if it hurts the Rust Belt, economic nationalism still appeals to the workers

McClelland, Edward. "Tariffs won't help the Rust Belt. But Trump thinks he can turn back time." The Washington Post. 2018//SK

Donald Trump promised to save American manufacturing. "It's time to rebuild Michigan, and we are not letting them take your jobs out of Michigan any longer," Trump told thousands of supporters at a suburban Detroit shopping mall during the 2016 presidential campaign, pledging to renegotiate the North American Free Trade Agreement signed into law by his opponent's husband. "Hillary Clinton ... will never protect the freedom and jobs of the American people. … We will bring back your auto manufacturing business like you have never ever seen it before. … My plan includes a pledge to restore manufacturing in America." During that campaign, Trump also delivered a "jobs plan" speech in Monessen, Pa., a small town outside Pittsburgh that over the past 50 years has lost its steel mills — and more than half its population. He promised to restore the faded industrial town to its smokestack glory. To make Monessen great again." The legacy of Pennsylvania steelworkers lives in the bridges, railways and skyscrapers that make up our great American landscape," Trump said. "But our workers' loyalty was repaid with betrayal. Our politicians have aggressively pursued a policy of globalization — moving our jobs, our wealth and our factories to Mexico and overseas. Skilled craftsmen and tradespeople and factory workers have seen the jobs they loved shipped thousands of miles away. Many Pennsylvania towns once thriving and humming are now in a state of despair. This wave of globalization has wiped out our middle class. It doesn't have to be this way. We can turn it all around — and we can turn it around fast." Michigan and Pennsylvania believed him. Both states voted Republican for the first time since 1988. But now Trump is threatening to slap a 25 percent tariff on automobiles and auto parts entering the United States, a move that the Center for Automotive Research in Ann Arbor, Mich., says would increase the average car price by $4,400 and result in the loss of 715,000 jobs. At a Commerce Department hearing, 44 out of 45 witnesses, including Ford, General Motors and Chrysler, testified against the tariffs. Only the United Auto Workers offered support for "targeted measures to boost domestic manufacturing." **Why is Trump so determined to impose tariffs that could hurt, rather than save, manufacturing jobs? Because in his nostalgia for the heartland of yore, he mistakenly thinks he can take the nation back to the days before foreign cars**. Trump wants to bring back the 1960s remembered at events such as the Oldsmobile Homecoming in my automaking hometown of Lansing, Mich., which gathers together the remnants of a nameplate that was hard-core American iron 50 years ago (the 1966 Toronado was Motor Trend Car of the Year), but is now as obsolete as the Packard. At one recent Homecoming, I met a retired autoworker who had started at Oldsmobile in 1965, three months out of high school, on GM's biggest hiring day since World War II. Thanks to good union wages and benefits, he had gotten married at age 20, built a house on three acres at age 27 and retired on a handsome pension at 55. "We had a good wage, we had good health care, we had a good pension," he told me. "Everything was there. I was there for the best years of Oldsmobile, as far as I'm concerned. I know many people that are production, salaried, engineers that I graduated with, they all say the same thing. We all saw the best Oldsmobile had to offer. I don't think it'll ever go back to the way it was." The heyday of American manufacturing, which lasted roughly from the end of World War II to the Arab Oil Embargo of 1973, is the focus of Trump voters' nostalgia for American greatness. In the mid-1960s, 90 percent of the vehicles sold in the United States were built by General Motors, Ford or Chrysler — double their current share. Bullitt drove a Ford Mustang and Steve McGarrett fought crime in Honolulu out of a Mercury Park Lane Brougham. That was when any guy with a high school education — the sweet spot of Trump's demographic — could walk straight from the graduation line to the assembly line, earning enough money to support a stay-at-home wife and a family. Back then, there were few immigrants to contend with for jobs, either: In 1970, the United States' foreign-born population hit an all-time low of 4.7 percent. It was an era when Americans didn't have to compete with foreigners, either at home or abroad. We were winning. All the time. At a recent "Made in America" event at the White House, which showcased domestically manufactured products, Trump criticized previous administrations for letting "our people lose their jobs to workers in foreign lands" and declared "the era of economic surrender for America is over. America is fighting back and we're winning again." When Trump promises to "bring jobs back," his listeners hear a promise to restore that golden age. "People — especially when you go to Trump voters — they have this view of manufacturing that's really emotionally packed," Jeremy Rosner, executive vice president at the polling firm Greenberg Quinlan Rosner, told NPR earlier this year. "There's definitely a huge, nostalgic '50s, '60s, heyday-of-America, Rosie-the-Riveter-laden kind of thing around manufacturing. So people in those communities who hear Trump or whoever it is talking about protecting those jobs, there's a lot of emotional overtones." *The Rust Belt was already turning red. Trump just pushed it along.* **Although it may have an emotional appeal to his supporters, Trump's tariff plan ignores the modern global economy, in which cars assembled in the United States use foreign-made parts**. According to the cars.com American-made index, even the most American car, the Jeep Cherokee, contains 28 percent foreign parts — which could be subject to tariffs under Trump's plan, and thus increase the cost of the vehicle. No federal policy can bring back the nation's post-World War II industrial dominance, because so much of it was a function of the fact that the United States was the only country to emerge from the war with any industrial capacity, but **Trump imagines that economic isolationism can re-create the conditions in which the United States was the world's sole industrial superpower**. Regardless of that economic and historical reality, Trump's appeal to the Rust Belt's nostalgia for the days when a factory job was a "precious birthright," to quote autoworker/author Ben Hamper's shop memoir "Rivethead," may have been decisive in his 2016 victory. **The Rust Belt is the bellwether of American politics because its problems are too deeply rooted for any politician to solve, so it keeps throwing out politicians who are unable to solve them**. President Barack Obama won the Rust Belt because he bailed out the bankrupt auto industry; Trump won it because he promised to bring back the jobs on the assembly line. At least Trump has a plan to force companies to move their operations back to the United States, no matter how counterfactual it may be — and **it taps into anger about outsourcing that has transferred well-paying American blue-collar jobs to the Third World, devastating small manufacturing hubs**, from Flint, Mich., to Galesburg, Ill. "**My own opinion on the tariffs and the things he's doing are it's all part of a master plan to get the jobs to come home**," Frank Pitcher, 51, a Ford worker outside Detroit who voted twice for Obama and then for Trump, told The Post last month. "In my 25 years, I've seen us start off with 145,000 workers and go down to 45,000." **Don't expect Trump to dial back on the economic nationalism that has proven so appealing to manufacturing workers, even if it doesn't end up helping them**. **Because they're concentrated in the swing states of the Midwest, they're the most important faction in his electoral coalition. These workers view free trade and immigration as threats to their livelihood.** Trump is their champion. As Noah Smith wrote in Bloomberg Opinion, "**Make America Great Again**" "**has come to represent the idea that a strong leader, by force of will, can return the U.S. to the industrial economy and international dominance of the 1950s**." So if you end up paying a lot more money for a Jeep Cherokee, or a Chevy Impala, or a Ford F150, blame Trump, blame the electoral college — and blame the Rust Belt's nostalgia for its most prosperous era.

Farmers won't vote for Democrats

Sevastopulo, Demetri. "Why Democrats don't want to mention Trump's (trade) war." Financial Times. 2019//SK

https://www.ft.com/content/8a1c9f7c-6cc2-11e9-a9a5-351eeaef6d84

While farm exports to China fell to $25bn in the final year of the Obama administration, they collapsed in 2018 after China imposed its retaliatory tariffs, falling to $13bn. The value of soybean exports — the most important agricultural commodity to China — plunged by 75 per cent to $3bn from $12bn the previous year. Even before the tariffs were introduced, farmers were struggling with mounting debt levels which in nominal terms is expected to hit a total of $426bn this year. Yet **any backlash over the tariffs appears restrained**. **According to a tracking poll from Morning Consult, Mr Trump's approval rating in Iowa is 43 per cent, marking the same level of support he had in the state before the trade war**. The Democrats face the same conundrum on agriculture as on industrial products such as steel: how to take issue with Mr Trump without losing the chance to win back Democrats who liked his protectionist stance and pledge to reduce the US trade deficit with China. "At some point the Democrats who are serious [about winning] in Iowa are going to have to talk about trade, but it's hard," says David Salmonsen, head of congressional relations at the American Farm Bureau, the biggest agricultural lobby group. "What they say there could come back and bite them in other parts of the country. You can't campaign to get rid of the tariffs [in Iowa], and then go to Michigan where they expect them to bring back manufacturing." Yet some Democrats argue that the party has a chance to win over Republicans who are frustrated by the tariffs, just as Mr Trump attracted Democrats angry about certain trade deals, such as the North American Free Trade Agreement, that were signed during the Clinton and Obama administrations. Amy Klobuchar, the Minnesota senator who is also running for president, argues that Democrats have an opportunity to attract disillusioned Republicans. She says her strategy of talking about the impact of the trade war on soyabean farmers has won her the support of Republican farmers in her home state.A retired worker in Davenport, Kevin O'Brien, agrees. He says that although the chances of Republican farmers voting for a Democrat may be slim, their anger at the trade war might cause them not to vote at all. Others remain sceptical. Tom Furlong, whose family came to Muscatine in 1856, says few Republican farmers would vote for a Democrat, unless the situation was really catastrophic. For now, that has been avoided at a cost of $12bn in subsidies that the administration promised to farmers last year to help ease their pain. It remains unclear whether the administration would come to the rescue again. In March, Sonny Perdue, the US agriculture secretary, told the FT that farmers should not expect more subsidies. And after Larry Kudlow, the top White House economic official, said last Monday that the administration was "ready to do more if necessary", Mr Perdue lowered expectations again by saying there were no active discussions about the issue. "[The subsidies] kind of made up for what the farmers lost, so they thought he's looking after us," says Mr Furlong after attending an event with Joe Biden, the Democrat former vice-president who has also thrown his hat into the ring for the 2020 contest. "I haven't heard Republican farmers say, 'I'm not going to vote for Trump because he took us for a ride'." Mr Trump won Iowa by the largest margin of any Republican candidate since Ronald Reagan in 1984. He also prevailed comfortably in agricultural states such as Kansas, Nebraska, Oklahoma and Missouri, and Wisconsin, a key part of his election victory in a state that Barack Obama won twice. **For many farmers, who broadly support other aspects of the Republican economic agenda, from low taxes to deregulation, switching sides to back a Democrat in 2020, would be a dramatic shift**. Heidi Heitkamp, a Democrat who had represented nearby North Dakota in the Senate, lost her seat in the 2018 midterm elections even after campaigning heavily against tariffs, which have also hit soybean growers in her state.