Aff Case

We affirm.

<u>Our Sole Contention is Investment.</u>

Foreign direct investment, or FDI, is an investment from an entity in one country into another country. Affirming would increase FDI in two areas.

<u>Subpoint A is Europe.</u>

Right now, Europe is on the brink of recession.

<u>Foreign Policy ‘19</u> finds that, due to Germany’s failing manufacturing sector and the uncertainty that Brexit has created, a European recession will happen soon.

Fortunately, if Europe joins the Belt and Road Initiative, it will see increased investment for two reasons.

First, increased approvals.

<u>Kynge ‘19 of the Financial Times</u> explains that “It has long been a feature of the BRI that outward investments that are badged as BRI tend to receive smoother approvals from Chinese authorities.” Thus, <u>Xueqing ‘18</u> finds that, despite an overall drop in Chinese outbound investment by 32 percent due to domestic regulations, investments in Belt and Road economies increased.

Second, investor confidence.

<u>Du ‘17 of the CER</u> explains that Chinese companies typically have high confidence in the prospects of future Belt and Road cooperation. Thus, he finds that Chinese companies increase their investment in BRI economies in anticipation of future cooperation.

For these two reasons, <u>Du</u> quantifies that countries receive 40 percent higher Chinese FDI in the form of mergers and acquisitions after joining the Belt and Road.

<u>Moon ‘11 of Seoul National University</u> finds that competing with foreign companies through FDI causes local companies to meet higher quality standards and adopt new technologies. This upgrading of Europe’s productivity will have a long-lasting impact that goes beyond the physical presence of Chinese companies.

Moon finds that FDI has a stabilizing effect in reducing the harms of a financial crisis. He concludes that countries that had more FDI prior to a crisis experienced a considerably milder recession.

Indeed, Tello '17 of the London School of Economics finds that European economies that had more FDI had a higher ability to absorb economic shocks. For example, CQ Press '19 finds that Greece is finally emerging from its economic doldrums thanks to Chinese investment.

The IMF quantifies that the next recession will push 900 million people into poverty.

Subpoint B is the Developing World.

While the BRI is mainly known for its roads, railways, and bridges, Shahria '19 of Northwestern University writes that China has also created other mechanisms for trade, such as regional trade agreements.

Ohashi '19 of Senshu University confirms that China has already established 56 economic and trade cooperation zones along the BRI.

If the European Union does not join the Belt and Road Initiative, it will be cut off from this economic prosperity. Over time, Hilton '19 of the AGC Group writes that the BRI will become a self-sufficient "free trade zone" that excludes non-participating countries.

Herrero '16 of the Bruegel Institute confirms that Chinese authorities are excluding European countries from BRI trade agreements because they have not joined the Initiative. Thus, Herrero explains that, if it doesn't join the BRI, "the EU would be isolated from a sizable free trade area [right] next to its borders."

Fortunately, if Europe joins the BRI, it would be integrated into these regional trade agreements, allowing it to become a part of the prosperity.

The impact is directing development.

Cardamone '10 of the University of Macerata quantifies that developing countries received 50% more European FDI if they signed a trade agreement with the EU.

Fruman '16 of the World Bank explains that foreign investment allows the spread of advanced technologies and best practices, which ends up enhancing domestic businesses. Thus, Razin '04 of Tel Aviv University finds that each one-dollar of FDI increases local investment by a dollar.

Moreover, in the long-term, the Journal of Developing Countries finds that FDI contributes to a stronger middle class and fosters education. This is why Richmond University concludes that FDI is positively associated with democracy, civil liberties, and workers' rights.

Historically, The World Bank quantifies that FDI helped create "26 million direct jobs and 42 million indirect jobs."

FDI:

Mergers increase 81% in Belt and Road economies

Xueqing, Jiang. "M&A deals in Belt & Road economies increase by 81%." China Daily. 2018//SK

http://www.chinadaily.com.cn/a/201804/12/WS5acebb7ca3105cdcf6517c7d.html

China's overseas mergers and acquisitions in economies related to the Belt and Road Initiative achieved a record high of $48.2 billion in 2017, up 81 percent year-on-year, according to an EY report issued on Wednesday. **Investments in B&R economies increased despite an overall drop in Chinese outbound direct investment last year by 32 percent from the previous year, in the context of the complex global investment environment and tightened domestic regulation on cross-border investment**. Last year, Chinese companies made nonfinancial outbound direct investment of $14.4 billion in 59 economies related to the Belt and Road Initiative, accounting for 12 percent of total nonfinancial ODI, according to the report. EY, a global accounting and consulting firm, noted that the Association of Southeast Asian Nations, as a regional hub of the Belt and Road Initiative, is critical for the connectivity between China and other countries and regions along the routes of the initiative. "Besides its critical geographical position, ASEAN is attracting more attention from investors with its young population, ample labor force, abundant natural resources and huge opportunities to invest in its infrastructure sector," said Andrew Choy, EY's China international tax services leader. **Last year, the deal value of Chinese M&A in ASEAN surged to $34.1 billion, rising by 268 percent year-on-year** and representing 77 percent of the total value of Chinese M&A in Asia. "ASEAN is becoming a key investment destination in Asia for Chinese companies with its geographic advantage as a trade hub under the Belt and Road Initiative, along with the investment opportunities in the infrastructure, technology, energy and mining sectors, ample human resources and vast market potential," the EY report said.

FDI

Du, Julan. "Does One Belt One Road initiative promote Chinese overseas direct investment?" CER. 2017//SK

10.1016/j.chieco.2017.05.010

The strategy was formed at a critical point of China's economic transformation. In recent years, the Chinese overseas direct investment (ODI) has increased at a rapid pace, prompted by China's structural transformation and domestic production overcapacity. The OBOR initiative is widely regarded as a means of enhancing the prowess and expanding the reach of Chinese companies in the global economy, especially in the countries covered by the OBOR Strategy (the belt-road countries). 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**. Since **Chinese enterprises typically have high confidence in the success of the OBOR initiative, they may be encouraged by the bright prospects of the OBOR initiative and respond actively to increase ODI ahead of their counterparts from other countries.** Meanwhile, some of China's ODI in the infrastructure sectors in the belt-road countries, especially those by Chinese state-owned enterprises (SOEs) can be part of the OBOR infrastructure investment plan. Secondly, China is characterized with a state capitalism model under an authoritarian regime.

SOEs play a pivotal role in the commanding heights of the national economy, and they are the reliable forces to achieve government goals. In contrast, a vibrant private sector makes up the majority of the production of national output and employment. Disadvantaged in gaining access to resources such as capital, land, etc., non-state-owned enterprises (non-SOEs) are typically willing to cooperate well with and please the local or national bureaucrats (see, for example, Du and

BRI-branded investments are approved faster

Kynge, James. "What Italy stands to gain by endorsing China's Belt and Road." Financial Times. 2019//SK

https://www.ft.com/content/e2b7322c-4086-11e9-b896-fe36ec32aece

Rome's thinking, therefore, may be that if Italy occupies a favoured place in Beijing's affections, China's investment approvals could flow its way. The map below shows the distribution of China's foreign direct investment in Europe. Although Italy has been a leading recipient of Chinese investment between 2000-2018, in recent years such inflows have dwindled. **It has long been a feature of the BRI — which was launched in 2013 and is the signature foreign policy initiative of Chinese president Xi Jinping — that outward investments that are badged as BRI tend to receive smoother approvals from Chinese authorities**.

BRI has massive economic benefits

Holzner, Mario. "A 'European Silk Road'" Vienna Institute. 2018//SK

https://wiiw.ac.at/a-european-silk-road--p-4608.html

A state-of-the-art motorway and high-speed railway line with a string of logistics centres, seaports, river ports and airports shall set new European standards, among others in e-mobility. The full extension would constitute around EUR 1,000 billion or approximately 8% of the gross domestic product of the countries situated along its two routes. The costs relative to the EU's economic output amount to about 7%. **According to a conservative estimate, the European Silk Road could lead to an economic growth of 3.5% on average and an increase in employment of around 2 million along its routes in the course of an investment period of 10 years**. **Under favourable circumstances and at continued low interest rates, an employment creation of over 7 million can be expected in greater Europe**. The improved infrastructure of the key route could yield significant time savings of over 8% in road transport on the northern route into the central region of Russia alone. On average this would save approximately 2.5 hours, for instance from Vienna. Thus the countries along the northern route would be able to increase their exports to Russia by more than 11%. This would imply additional exports of over EUR 12.5 billion.

FDI helps Greece recover

Broder, Jonathan. "China's Belt and Road Initiative." CQ Press. January 2019//SK

https://library.cqpress.com/cqresearcher/document.php?id=cqresrre2019012500

Smith and other **analysts cite Greece as a success story**. **After struggling for years under austerity measures imposed by its European partners following the 2008 global financial meltdown, the country is finally emerging from its economic doldrums, thanks** in part **to major Chinese investments**. In 2016, the state-owned China Ocean Shipping Co. (Cosco) purchased a majority stake in the port of Piraeus, the seaport that serves Athens, for $312 million.16 Since then, Cosco has invested nearly a half billion euros in new cranes, an ultramodern floating dock and a new passenger terminal, transforming Piraeus into the Mediterranean's busiest port and a principal entry point to Europe. Greek officials say Cosco has created 1,000 permanent jobs, as well as short-term contracts for some 1,500 workers. State-backed Chinese companies also have invested billions of euros to build an upscale resort outside Athens as part of plan to bring more than 1.5 million Chinese tourists to Greece over the next few years.17 "The Greek economy is thirsty for investments, and the presence of Chinese companies is important, and we welcome it," said Prime Minister Alexis Tsipras.18

FDI

Du, Julan. "Does One Belt One Road initiative promote Chinese overseas direct investment?" CER. 2017//SK

10.1016/j.chieco.2017.05.010

6.1. OBOR Initiative and Acquisitions in the Belt-Road Countries and the Non- Belt-Road Countries Table 3 compares the number of initiations of acquisitions and the value of acquisitions before and after the OBOR initiative. Columns (1) and (2) show that both increased considerably in the post-announcement period. It can be inferred that the incidence ratio (i.e. the rate at which M&A occurs) in Chinese acquirers' aggregate M&A initiations was on average 1.5 times higher after the announcement of the OBOR initiative compared with other peer acquirer nations. **The net percentage change of Chinese acquirers' aggregate M&A deal values were on average 40 percentage points higher after the OBOR announcement relative to other peer acquirer nations**. Columns (3) and (4) provide DD regression results by comparing the changes between the belt-road countries and the non-belt-road countries. Quite clearly, the number and size of Chinese acquisitions in the belt-road countries increased more significantly than those in the non-belt-road countries, relative to the other major acquirer countries. According to the regression results, for the Chinese acquirers, **the inferred incidence ratio in Chinese acquirers' aggregate M&A initiations in the beltroad countries after the OBOR announcement was on average 1.7 times higher than that in the non-belt-road countries**. Similarly, for Chinese acquirers, **the net percentage change in aggregate M&A deal values in the belt-road countries in the wake of the OBOR initiative was on average 100 percentage points higher than that in the nonbelt-road countries**.

FDI makes recession less severe

Moon, Chang. "FDI, economic decline and recovery: lessons from the Asian financial crisis." Seoul National University. 2011//SK

http://dx.doi.org/10.1108/15253831111149762

postulating that **FDI will have a stabilizing effect in reducing the amount of change in a nation's economic activity caused by a financial crisis**. **This calming effect of FDI will also be present during the recovery period**, resulting in a gradual increase in economic activity instead of a fast upturn. These ideas were tested using data collected from a sample of affected Asian economies during the period 1992-1999, against the backdrop of the AFC of 1997-1998. As reported earlier, the study results' overall pattern is consistent with and supportive of the theoretical argument. **Countries that had more FDI prior to the crisis experienced a milder recession** and a more gradual recovery in the immediate aftermath.The latter finding may not be what most government officials hope for, which is a fast and robust economic recovery fueled by FDI (UNCTAD, 2009b). Another important finding is that the hypothesized stabilizing effect of FDI was found for both inward and outward FDI. However, the observed effect on the local economy was more robust for FDI-stock than FDI-flow. These contrasting patterns suggest that while a nation can obtain greater economic benefits by increasing both inward and outward FDI, it is important that the increased FDI retains its capital and value-added capacity in the location of the investment, both before as well as during the crisis and recovery. The 2008 global economic crisis was largely a result of regulatory failures in the world's most advanced financial hubs and thus may be thought of as different from the AFC of 1997-1998. A closer examination

FDI makes recession less severe

Moon, Chang. "FDI, economic decline and recovery: lessons from the Asian financial crisis." Seoul National University. 2011//SK

http://dx.doi.org/10.1108/15253831111149762

Financial crisis refers to a severe disruption to financial markets at a level that it renders them "unable to efficiently channel funds to those who have the most productive investment opportunities" (Mishkin, 1992, p. 118). **When this happens, "the flow of credit to households and businesses is constrained and the real economy of goods and services is adversely affected"** (Jickling, 2008, p. 1). While a financial crisis may be triggered by different causes, such as bank failures, stock market crashes, or sovereign defaults, it usually results in a recession associated with reduced economic growth and increased unemployment. In more severe situations, there will be sudden reversals of capital flows precipitated by herd mentality of foreign investors, who abruptly renege on their commitments (Radelet et al., 1998; Weisbrot, 2007). Unlike portfolio investment and other types of access foreign capital, **FDI is less volatile during not only normal times but also times of financial crisis** (Athukorala, 2003; Fan and Dickie, 2000; Hill and Jongwanich, 2009). **This continuous flow of FDI capital into the crisis-hit countries helps mitigate the negative impact of the crisis and contribute to economic stability**. More importantly, **the intangible benefits that FDI, both inward and outward, has brought to and built up in the local economy prior to the financial crisis, such as upgrading of the production factors, increased quality standards, improved management skills and production methods, etc. are still there, which will help reduce the negative impact of the crisis**. These intangible benefits, along with the sudden drop in prices for local assets during times of financial crisis, may also help attract new FDI into the country (Fan and Dickie, 2000) and result in a dampening effect on the economic downturn. Taken together, these ideas suggest that, during times of financial crisis, **FDI takes on the role of a stabilizing force in the local economy, helping to reduce contraction in a nation's economic capacity and output, resulting in a milder recession than would otherwise occur**. This stabilizing effect of **FDI during crisis will also help reduce unemployment, which in turn makes it less necessary for the government to increase fiscal spending to stimulate the local economy**. Instead, the economy will be able to grow on its own capacity as demand for goods and services increases, which usually happens when the crisis eases and recovery starts to take shape. Because of these calming effects, countries that have more FDI prior to the crisis will not only experience a milder recession, but also a more gradual recovery in its immediate aftermath. These predictions are summarized into the following hypotheses:

3% higher growth with FDI

Tello, Diana. "FDI: the cause and solution of the Great Recession impacts." London School of Economics.

https://blogs.lse.ac.uk/gild/2017/11/14/fdi-the-cause-and-solution-of-the-great-recession-impacts/

In the case of Spain's international integration with the EU, coupled with Spain being one of the main receivers of FDI, the country's economy looked prosperous between the 1980s and early 2000s. **The country grew at annual rates of 3%, higher than in other developed countries in the EU**. **FDI was** one of **the main catalyst**s **of this boost**.

FDI helps with resiliency

Tello, Diana. "FDI: the cause and solution of the Great Recession impacts." London School of Economics.

https://blogs.lse.ac.uk/gild/2017/11/14/fdi-the-cause-and-solution-of-the-great-recession-impacts/

An analysis of FDI inflows and regional growth indicators of Spain's 17 regions from 2001-2014, reveals that there is a positive link between FDI and the process of regional resilience in the country. **In general, regions that were receiving more FDI during this period were experiencing both higher GDP per capita growth rates and domestic employment growth rates**. In other words, foreign investments were not only boosting economic growth in Spanish regions, but also generating a multiplier effect in the local labour market where a job in a multinational corporation was generating job(s) in domestic firms. Not all FDI has the same impact However, FDI does not exhibit a uniform impact on the economy across all sectors. FDI in each sector interacts differently with local capabilities and sustainable growth. This interaction influences the production structure of the host economy, resulting in a specific mix between internal and external sources of new knowledge. **This blend, along with the environment where it is located, is a key factor for the regional resilience of a territory**. Moreover, it is argued that **a specific focus on innovative sectors is particularly relevant for the process of regional resilience due to their greater capacity to re-adjust after a shock. These sectors would have the capacity to absorb the shock, adapt their core activities to the new reality, and replace their obsolete and inefficient components.**

Makes domestic more productive

Moon, Chang. "FDI, economic decline and recovery: lessons from the Asian financial crisis." Seoul National University. 2011//SK

http://dx.doi.org/10.1108/15253831111149762

Finally, **the physical presence of the MNCs in the host country and their competing against the domestic firms for market shares also help promote economic growth through the "reciprocal spill-over effect"** (Rugman and Verbeke, 2003, p. 155) **by inducing the local economy to meet higher quality standards, increase productivity, adopt new technology, and learn new ideas** (OECD, 2002). **This upgrading of the nation's productive capabilities will have a long-lasting impact on the local economy that goes beyond the MNCs' physical presence**.

FDI is diversified

"China Invests in Europe." Rhodium Group. 2012//SK

https://rhg.com/wp-content/uploads/2012/06/RHG_ChinaInvestsInEurope_June2012.pdf

Our detailed data support the view that **Chinese direct investment in Europe is driven overwhelmingly by commercial motives**. Chinese policy is playing a role, but mostly in terms of getting government out of the way so firms can make more rational judgments about locating operations. **Direct political guidance has played a very minor role in Chinese investment in Europe thus far**. China's industrial policies and encouragement (via offered low-interest capital) of going abroad are impacting investment decisions, but they are not the primary reasons why firms from China are appraising opportunities in the European Union (EU). **The mix of industries targeted, the high number of private enterprises making investments, and the competitive behavior of companies from the People's Republic after they arrive and set up shop in Europe all point to profit as the greatest motive in China's outward FDI story**.

F2 FDI goes into strategic sectors

"China Invests in Europe." Rhodium Group. 2012//SK

https://rhg.com/wp-content/uploads/2012/06/RHG_ChinaInvestsInEurope_June2012.pdf

The sectoral mix of Chinese investment in Europe tells us that a shift is under way. Chinese deals are less dominated by natural resources and trade facilitation objectives and more concerned with the full range of industries and assets spread widely across Europe. **Of the 30 sectors we track, 18 show over $200 million in deals; 9 show over $1 billion**. Several sectors show greenfield projects at several hundreds of millions of dollars – unusual for a "developing country". The bottom line from our detailed analysis is **there is breadth and momentum across the board, not cherry picking in a handful of strategic industries**.

F2 M&A kills jobs

"China Invests in Europe." Rhodium Group. 2012//SK

https://rhg.com/wp-content/uploads/2012/06/RHG_ChinaInvestsInEurope_June2012.pdf

In terms of new capital we project $1-2 trillion in global Chinese OFDI from 2010- 2020. At that rate, if Europe continues to attract the same share of global FDI as in the 2000s – around 25% -- then by 2020 Europe would see $250-500 billion cumulatively in new Chinese M&A and greenfield investment. Even if Chinese outflows underperform and Europe ceases to attract as big a share, an annual average of $20-30 billion would be expected for the coming decade. Employment impacts are a common question when it comes to Chinese investment. Unlike trade, **direct investment is unlikely to be associated with negative effects on employment: greenfield projects by definition create work that was not there before, and acquisitions are hard to move and often entail turning around a firm that might have gone under**. We count around 45,000 EU jobs associated with Chinese direct investors today. Projecting job effects from Chinese FDI is a low-return game – too many variables enter the mix. However, it is helpful to consider the amount of jobs created by FDI from other major economies: American firms today cut paychecks to 4.3 million EU citizens.

Aff Frontlines

Subpoint A

First warrant

F2 Screening regulations

- Merics ‘19: : Chinese investment into the EU doesn’t target particular sensitive industries; it is diversified across the sectors

Diversified

“CHINESE FDI IN EUROPE: 2018 TRENDS AND IMPACT OF NEW SCREENING POLICIES.” Merics. 2019//SK

https://g8fip1kplyr33r3krz5b97d1-wpengine.netdna-ssl.com/wp-content/uploads/2019/03/190305_MERICS-COFDI-Update-2019_final.pdf

Chinese foreign direct investment (FDI) in the European Union (EU) continued to decline in 2018. Chinese rms completed FDI transactions worth EUR 17.3 billion, which represents a decline of 40 percent from 2017 levels and over 50 percent from the 2016 peak of EUR 37 billion. This decline is very much in line with a further drop in China’s global outbound FDI, a trend that can be attributed to continued capital controls and tightening of liquidity in China as well as growing regulatory scrutiny in host economies. The “Big Three” EU economies received the lion’s share of investment. The United Kingdom (UK) (EUR 4.2 billion), Germany (EUR 2.1 billion) and France (EUR 1.6 billion) continue to receive the most attention, but their share in total Chinese FDI declined from 71 percent in 2017 to 45 percent in 2018. Two newcomers made it to the top ve list (Sweden and Luxembourg), propping up the relative shares of Northern Europe and Belgium, the Netherlands and Luxembourg (Benelux) in total investment. **Chinese investment was spread more evenly across a greater variety of sectors**. With fewer mega deals Chinese capital was spread more evenly across sectors compared to 2016 and 2017. **Investment declined in transport, utilities and infrastructure, and real estate. The biggest increases were recorded in financial services, health and biotech, consumer products and services, and automotive**. EU member states are modernizing FDI screening regimes, which has raised the bar for Chinese takeovers. Several European governments have updated or established their FDI screening regimes in 2017 and 2018, and several more are in the process of doing so. This strengthening of review mechanisms has already impacted Chinese investment patterns in 2018, including the first ever instance of a blocked Chinese acquisition in Europe and several delayed transactions.

F2 FDI goes into strategic sectors

“China Invests in Europe.” Rhodium Group. 2012//SK

https://rhg.com/wp-content/uploads/2012/06/RHG_ChinaInvestsInEurope_June2012.pdf

The sectoral mix of Chinese investment in Europe tells us that a shift is under way. Chinese deals are less dominated by natural resources and trade facilitation objectives and more concerned with the full range of industries and assets spread widely across Europe. **Of the 30 sectors we track, 18 show over $200 million in deals; 9 show over $1 billion**. Several sectors show greenfield projects at several hundreds of millions of dollars – unusual for a “developing country”.

The bottom line from our detailed analysis is **<u>there is breadth and momentum across the board, not cherry picking in a handful of strategic industries</u>**.

F2 Already invests in non-BRI EU countries

- Du: Scalar 40%

F2 Tech stealing

- <u>Rhodium Group '12</u>: Chinese investment into the EU doesn't target particular sensitive industries; it is diversified across the sectors
- Europe has new screening regulations

F2 FDI goes into strategic sectors

"China Invests in Europe." Rhodium Group. 2012//SK

https://rhg.com/wp-content/uploads/2012/06/RHG_ChinaInvestsInEurope_June2012.pdf

<u>The sectoral mix of Chinese investment in Europe tells us that a shift is under way. Chinese deals are less dominated by natural resources and trade facilitation objectives and more concerned with the full range of industries and assets spread widely across Europe</u>. **<u>Of the 30 sectors we track, 18 show over $200 million in deals; 9 show over $1 billion</u>**. Several sectors show greenfield projects at several hundreds of millions of dollars – unusual for a "developing country". The bottom line from our detailed analysis is **<u>there is breadth and momentum across the board, not cherry picking in a handful of strategic industries</u>**.

F2 22/28

- Germany/France and the countries that haven't joined the BRI are the ones hit hardest by the recession

Second warrant

F2 Investor confidence high already

- Scalar. It can increase even more.
- It's not high

F2 22/28

- Investor confidence is higher in those countries, sure
- Germany/France are the ones being hit by downturn right now, they are also the biggest economies

Impact Defense

F2 M&A Bad

- Rhodium '12: China buys out firms that would have gone under without investment, so it is on net creating jobs

F2 M&A kills jobs

"China Invests in Europe." Rhodium Group. 2012//SK

https://rhg.com/wp-content/uploads/2012/06/RHG_ChinaInvestsInEurope_June2012.pdf

In terms of new capital we project $1-2 trillion in global Chinese OFDI from 2010- 2020. At that rate, if Europe continues to attract the same share of global FDI as in the 2000s – around 25% -- then by 2020 Europe would see $250-500 billion cumulatively in new Chinese M&A and greenfield investment. Even if Chinese outflows underperform and Europe ceases to attract as big a share, an annual average of $20-30 billion would be expected for the coming decade. Employment impacts are a common question when it comes to Chinese investment. Unlike trade, **direct investment is unlikely to be associated with negative effects on employment: greenfield projects by definition create work that was not there before, and acquisitions are hard to move and often entail turning around a firm that might have gone under**. We count around 45,000 EU jobs associated with Chinese direct investors today. Projecting job effects from Chinese FDI is a low-return game – too many variables enter the mix. However, it is helpful to consider the amount of jobs created by FDI from other major economies: American firms today cut paychecks to 4.3 million EU citizens.

F2 FDI hurts domestic businesses

- Moon '11 of Seoul National University finds that competing with foreign companies through FDI causes domestic companies to meet higher quality standards and adopt new technologies, which will have a long-term impact.

F2 Chinese Trade War

- 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. CNBC '19: 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

The yield curve's predictive power is waning, 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. **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."** 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. Dean Baker of the CEPR: 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. **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**. 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. **Therefore, the ratio of debt service to after-tax corporate profits is not especially high**. 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.

F2 Chinese recession

1. [GROUP EVERYTHING -- 2 FRONTLINES] Roach '17:
    a. China is resilient, it hasn't had a recession in 25 years.

China has a national savings rate of 45%, meaning people have tons of money in China saved up to get out of a downturn.

Neg Case

We negate.

Contention One is the BR-Lie

Freymann '19 of the Atlantic suggests that the Belt and Road Initiative, or BRI, is a poorly coordinated branding campaign *disguised* as an infrastructure project.

There are **three reasons** why Europe joining the BRI 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. This is why Kamo '19 of the Netherlands Institute of International Relations finds that even though China has signed many MoUs with European actors, "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.

Third, a lack of funding.

Perez '19 of the Jamestown Institute explains that 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 2 is a Eurozone Collapse

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.

Affirming derails years of European Economic progress in two ways

First is a Populist Pandemonium

Populism is an exclusionary form of identity politics that stands in opposition to international establishments and excludes minority and immigrant groups.

Affirming gives power to the Populists through appealing to Sinophobia

Xu of Deloitte in August of 2019 explains that the West **perceives** that “the BRI is an attempt to project China’s influence across the world.”

Vriens ‘17 of the European Institute for Asian Studies finds that Sinophobia in EU countries increases support for skeptical, protectionist parties.

Thus, Casarini ’15 of the IAI concludes that China’s economic penetration into Europe could lead to a populist backlash.

This is not just speculative as Balding ‘18 of Foreign Affairs reports that the Malaysian prime minister won by campaigning against Chinese influence on the BRI.

The ISDP ‘17 finds that Anti-BRI Populists question the necessity of the EU, fueling the same sentiments that sparked pro-Brexit sentiments.

Specifically, Llandrich ‘17 of Aalbeorg University concludes that

Crucially, Winchester ‘19 of The Express explains that just one more country leaving the EU will collapse the Eurozone.

Young ‘19 of CCN confirms that support for the Far-Right signals the end for the Euro, the currency of the European Union.

This is terrible, as The PIIE ‘12 finds that a Eurozone currency breakup will cause a recession.

Second, is through an American Overreaction

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

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.

Indeed, 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.

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.

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 Impact of an EU Recession would be catastrophic.

The IMF quantifies that the next global recession will push 900 million people into poverty.

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**

<u>were identified</u>. 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.* **<u>Linear regressions were used to analyze the relationship between project activity and the BRI's six economic corridors</u>**. **<u>The total funding and number of projects per country were initially examined as indicators of activity</u>**. 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. **<u>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</u>**. 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). **<u>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</u>** (BRI Portal, undated)**<u>—the increase in</u>** political **<u>partners has not led to a</u>** comparable **<u>increase in commercial activity</u>**. 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, **<u>even as BRI publicity is</u>**

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).

Perception of BRI is to expand China's influence

Xu, Shitao. "China's Belt and Road Initiative" Deloitte. August 15, 2019//AP https://www2.deloitte.com/us/en/insights/economy/asia-pacific/china-belt-and-road-initiative-update.html

China has called on US and European MNCs to participate in the BRI, with Zhou Xiaofei, deputy secretary general of the National Development and Reform Commission, saying it hopes to combine its manufacturing and construction expertise with **the** advanced technology of **Western** firms to take the Initiative forward.34 Beijing's push for greater international involvement is also seen as stemming from a desire to counter the **perception that the BRI is an attempt to project China's influence across the world,** and to make the Initiative more inclusive. MNCs are already widely involved in BRI projects. General Electric, for instance, has cooperated with Chinese partners on 37 gigawatts of power generation projects since 2013, providing equipment in countries

Sinophobia increases Populism in the EU + A2 Good econs decrease populism

Vierns, Michael. "Four Years of the Belt and Road Initiative: Perspective from Europe." European Institute for Asian Studies. September 2017//DY http://www.eias.org/wp-content/uploads/2016/03/EIAS_Event_Report_BRI_4_Years-1.pdf

China's Belt and Road Initiative (BRI) has been received with great interest ever since its launch in 2013. The project is to better connect the Eurasian continent through the development of infrastructure and energy projects. It is to become an inclusive initiative to the benefit of all along the Belt and Road. Now, a number of years running, the BRI is taking shape and an increasing number of projects are being implemented. Governments of host countries and international organisations seem to agree on the relevance of such a grand initiative. **Given the huge gap of infrastructure investment in developing**

areas, it is very much timely, and it comes as no surprise that many governments are welcoming China's investments. Paradoxically, however, running almost parallel to increased Chinese investments is an increase of Sinophobia and public discontent in host countries. A large majority seems to agree on the necessity of investment, yet the means by which China enters host countries seems to strengthen a sense of distrust and even protectionism. This seminar discussed the state of play of China's Belt and Road Initiative, including an assessment of the reasons behind the paradoxical public discontent towards Chinese investments in host countries, and means to strengthen people-to-people exchanges, R&D cooperation and other soft areas of cooperation (culture, education, etc.). For this occasion, the European Institute for Asian Studies presented the outcomes of its policy paper OBOR and China-EU Cooperation: Opportunities and Challenges for Europe.

Exposure to China increases Populism and fearmongering

Casarini, Nicola. "Is Europe to Benefit from China's Belt and Road Initiative?" IAI. October 2015//DY

https://www.iai.it/sites/default/files/iaiwp1540.pdf

Growing Sino-European monetary ties largely explain the decision by the UK followed promptly by Germany, France and Italy, to join as founding members the Asian Infrastructure Investment Bank (AIIB), a China-led regional bank seen as a potential rival to the World Bank, despite US pressure to stay out. By joining the Chinese-initiated bank, Europe's four largest economies have not only acknowledged Beijing's emerging financial power, but also laid the ground for closer monetary connectivity with the country that could soon become the world's largest economy. In an op-ed published by The Guardian in September 2015, George Osborne and Jim O'Neill, respectively the UK Chancellor of the Exchequer and the Commercial Secretary to the Treasury, made it clear that "the future prosperity of [the UK] depends on us strengthening our relationship with the world's next superpower."23 Yet, opening up Europe's doors to the "next superpower" may also have some serious political implications. Implications for the EU While there are undoubtedly great economic opportunities, China's Belt and Road initiative – and its corollary of growing Sino-European monetary ties – also presents the EU with a major political challenge. There is the risk, in fact, that **a scramble for Chinese money could further divide EU member states and make it difficult for Brussels to fashion a common position vis-à-vis Beijing. Furthermore, China's economic penetration into Europe may lead to a populist backlash** and the fate of the port of Piraeus could be the first of such cases.

People winning elections off the BRI

Balding, Christopher. "Why Democracies Are Turning Against Belt and Road." Foreign Affairs. 2018//SK

https://www.foreignaffairs.com/articles/china/2018-10-24/why-democracies-are-turning-against-belt-and-road

Today, however, **China faces a backlash to BRI at home and abroad**. Many Chinese complain of the initiative's wasteful spending. Internationally, some of the backlash is geopolitical, as countries grow wary of Beijing's growing influence. **But much of it is simply political**. Unlike Western lenders, China does not require its partners to meet stringent conditions related to corruption, human rights, or financial sustainability. **This no-strings approach to investment has fueled corruption while allowing governments to burden their countries with unpayable debts**. And **citizens of many BRI countries have reacted with anger toward China—an anger that is now making itself felt in elections**. Far from expanding Chinese soft power, the BRI appears to be achieving the opposite. **Malaysia's election in May 2018 crystallized the sorts of concerns about Chinese power that have been building within BRI client countries. Mahathir Mohamad defeated the incumbent Prime Minister, Najib Razak by openly campaigning against Chinese influence**. He criticized Razak for approving expensive BRI infrastructure projects that required considerable borrowing from China, which Razak used to create an illusion of development while he and his associates plundered state coffers. **Since taking office in May, Mohamad has cancelled two of the largest Chinese projects in Malaysia**—a $20 billion railroad and a $2.3 billion natural gas pipeline—citing his country's inability to pay.

European economic integration has been a key element in preventing regional

BRI-opposing populists oppose EU

"Rhetoric of the Right: European Populist's View of China." ISDP. 2017//SK

http://isdp.eu/content/uploads/2017/09/2017-205-right-wing-populist-view-china.pdf

Independence Party (UKIP) went one step further in 2016, "China is doing, and will do, more damage to impoverish the British people by their control of British companies and the creation of unemployment, than the Germans did in two Wars." e British National Party (BNP) also describes China as a hostile entity and more widely, in British far- right discourse, China is seen as a communist dictatorship, a symbol for oppression. However **protectionism as an approach to deal with Chinese trade has broader implications. Some within these kinds of parties even question trade within the EU block**. **This sentiment is largely what fueled pro-Brexit sentiments, and there are fears that these ideas may further divide the EU**. But paradoxically, a smaller EU could help push European economies looking for attractive trade deals into the hands of China. Open for Trade

One more pullout = rip Eurozone

Winchester, Levi. "'Euro will fail!' Analyst warns eurozone could 'collapse' due to Italy and France" The Express. June 14, 2019//AP

https://www.express.co.uk/finance/city/1140099/euro-news-latest-currency-eurozone-european-union-EU-italy-france-le-pen

The polarisation in Europe among voters suggests that is never going to happen. "There is simply too much French and German political capital invested in this project they cannot let it fail – it would take an exogenous shock for it to go."

He went on to claim **the eurozone would be most likely to deteriorate should a country exit the European Union,** with Mr Wilson suggesting Italy would be most likely to ditch the euro. Italy has been at loggerheads with EU finance chiefs for months now, with latest movements seeing the European Commission threaten Rome with disciplinary proceedings over its €2.3trillion (£2trillion) debt, which stands at more than 1.3 times its economic output.

Mr Wilson also claimed **Marine Le Pen – a vocal critic of the EU – rising to power in France with her National Front party could also cause unfixable damage to the eurozone economy.**

I think the euro probably has more life in it – but unless there is fiscal union too, ultimately I think it will fail

However, the market analyst maintained that neither scenario is likely "in the near term". He said: **"The eurozone could collapse if Italy left or if Le Pen won in France."** This sentiment was shared by Michael Brown, senior markets analyst at Caxton FX, would said Italy, a nation who has the third biggest economy is the eurozone, leaving would be "fatal" for the euro area. Speaking to Express.co.uk, Mr Brown also cited the need for an EU-wide banking union and questioned if the ECB has the ammunition to support the eurozone should another crisis hit.

Far Right causes collapse

Young, Joseph. "Is The Demise of Euro Inevitable? Analyst Says it Can Trigger a Devastating Collapse" CCN. Jan 20, 2019//AP

https://www.ccn.com/is-the-demise-of-euro-inevitable-analyst-says-it-can-trigger-a-devastating-collapse/

Why are Analysts Worried About the Euro?

Many major regions within the eurozone including the likes of Germany, France, and Italy have struggled to deal with a declining rate of overall growth and the weakening performance of large financial institutions.

Russel Napier wrote:

The key consequence of this collapse will be the destruction of the euro. The expected success of the far-right and far-left in the European parliamentary election in May this year **augurs the beginning of the end for the currency union.** Both extremes share a commitment to the return of sovereignty to their parliaments that is incompatible with a single currency

According to Napier, the likely approach of the ECB and the EU authorities to impose strict capital controls in the short-term may pose a negative effect on the long-term performance of the euro.

While tightened capital controls and the restriction on both individuals and businesses to send the euro outside of the eurozone may prevent the devaluation of the euro in the foreseeable future, it could also cause domestic companies to suffer.

Eurozone collapse = hyperinflation

Aslund, Anders. "**Hyperinflations Are Rare, but a Breakup of the Euro Area Could Prompt One**" PIIE. Nov 2012//AP

https://www.piie.com/publications/policy-briefs/hyperinflations-are-rare-breakup-euro-area-could-prompt-one

Hyperinflation—**usually 1,000 percent or more a year**—occurs only under very special circumstances: **in a disorderly breakup of a currency zone;** after wars or revolutions, when monetary or fiscal authorities lack control; and when wild populism prevails. Åslund reviews the historical record and shows that hyperinflation does not arise by mistake but because of major dysfunction or mismanagement. Responsible countries with reasonable governance may default, but they do not have hyperinflation. The danger of hyperinflation, therefore, is an irrelevant concern for ordinary monetary policy. However, the fact that **collapse of a large currency union with substantial imbalances usually causes hyperinflation raises concerns for the euro area.** **Large uncleared payments balances have accumulated between the member countries as the private interbank market has stopped functioning. On the one hand, the uncleared balances have grown massively and, on the other, the creditor countries demand that balances be capped, which would mean disruption of the currency zone. It is critical to prevent a disorderly collapse of the euro area at almost any price, and the most obvious measure is vigorous monetary expansion, even more so than at present.** There is no historical evidence of monetary easing or even quantitative easing leading to hyperinflation. The second measure should be more rigorous fiscal austerity in the troubled countries.

Hyperinflation causes Recession

Morah, Chizoba. "What Causes a Recession?" Investopedia. June 25, 2019//AP

https://www.investopedia.com/ask/answers/08/cause-of-recession.asp

Economists disagree about the answers to these questions and several different theories have been offered.

Many overall factors contribute to an economy's fall into a recession, as we found out during the U.S. financial crisis, but **one of the major causes is inflation. Inflation refers to a general rise in the prices of goods and services over a period of time. The higher the rate of inflation, the smaller the percentage of goods and services that can be purchased with the same amount of money as before.** Inflation can happen for reasons as varied as increased production costs, higher energy costs and national debt. In an inflationary environment, people tend to cut out leisure spending, reduce overall spending and begin to save more.

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.

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.

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.**

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.

Neg Frontlines

Populism

F2 22/28

1. In the status quo, the countries that are already in the BRI want to be in it, and the countries that aren't in the initiative, like France and Germany, oppose it. Thus, the EU forcing countries like France and Germany to join the BRI would enrage them and make their populists movements adopt an anti-EU attitude.

Populism

Llandrich, Oriol. "China's New Silk Road and its implications for European integration." Aalborg University. 2017//SK

https://projekter.aau.dk/projekter/files/261997159/MA_Thesis___Oriol_Nierga_Llandrich___China_s_New_Silk_road_and_its_Implications_for_European_Integration.pdf

Moravcsik (1993: 484) states that his theory is "consistent with a number of plausible motivations for governments to support (or oppose) European integration. These include federalist (or nationalist) beliefs, national security concerns and economic interests". However, the limitations of this theory when it comes to consider ideological reasons behind regional integration processes are clear in this subsection. In fact, as seen in the Theoretical Framework chapter, this point has been pointed out by some experts as one of the most important weaknesses of LI, which provides no concrete framework to establish the linkages between ideologies and integration. However, through the lenses of this theory, **it can be argued that the fears of a share of the population and companies to Chinese investments could prompt a change in the domestic preferences of some Member States**. **These influential groups of interests could motivate a shift of the national interests and shape national government's attitude towards the EU**. At this point it will be important to see whether national governments see a common European position as the most useful alternative to tackle the effects of interdependence, or they seek other options such as protectionism. However, it should be considered the possibility that the **anti- Chinese sentiment could be capitalised by nationalist and isolationist movements** like in the US. **Xenophobic parties in Europe are generally opposed to the idea of the EU and are against the transfer of sovereignty to supranational institutions**.

Populism

Llandrich, Oriol. "China's New Silk Road and its implications for European integration." Aalborg University. 2017//SK https://projekter.aau.dk/projekter/files/261997159/MA_Thesis___Oriol_Nierga_Llandrich___China_s_New_Silk_road_and_its_Implications_for_European_Integration.pdf

Other authors warn that **Chinese capital inflow could lead to a populist backlash in some of the EU countries** (Casarini, 2015: 9; Washington Post, 2017), **where nationalist and xenophobic discourses are on the rise**. Hanemann and Huotari (2015: 30-31) believe that "**combined with the increasingly politicized debate about international investment agreements, there is a real risk of popular political backlash against Chinese investment**, particularly if it grows further and we see acquisitions opposed by domestic interest groups or hostile takeover bids". Indeed, Chinese presence in Europe has been increasing during the last few decades. For example, *Financial Times* points out that "Chinese direct investment in the EU surged 76 per cent to €35.1bn in 2016. EU acquisitions in China, by contrast, fell for the second consecutive year, to €7.7bn" (Mitchell *et al*, 2017). In addition, there is a widespread feeling that current Sino-European relations are far from being fair due to its lack of reciprocity. Some authors stress that China is investing in some sectors where European companies are not allowed in the Middle Kingdom (Mitchell *et al*, 2017), or that the increasing economic ties are mostly based on a one-way trade –from China to Europe.

Populism

Llandrich, Oriol. "China's New Silk Road and its implications for European integration." Aalborg University. 2017//SK

https://projekter.aau.dk/projekter/files/261997159/MA_Thesis___Oriol_Nierga_Llandrich___China_s_New_Silk_road_and_its_Implications_for_European_Integration.pdf

Instead, other experts have expressed their concerns for what they consider a threat to the European Union's unity. Philippe Le Corre, co-author from *China's Offensive in Europe* (2016)*,* states that Beijing's economic intentions "are about spreading influence on weakened and somewhat divided continent" (Browne, 2016). In this regard, many experts stress that China is pursuing 'divide-and-rule' tactics within Europe using Foreign Direct Investment (FDI) as a hook, and it has even been labelled by some as a 'Trojan horse' or even depicted, by a Bloomberg columnist, as an 'octopus' seizing European assets (Bershidsky, 2015). The main point of this argumentation is that **a 'scramble for Chinese money' would raise –or it is already raising- fierce competition among EU members with centrifugal effects**. In other words, "**scramble for Chinese money could further divide EU Member States and make it difficult for Brussels to fashion a common position vis-à-vis Beijing**" (Casarini, 2015: 9). In the same vein, Müller-Markus (2016: 4) believes that "**in pursuit of their national interests, European countries compete among themselves**". Meunier warns about the effects of Chinese FDI over Europe in several articles (2014a, 2014b, 2014c), and considers that "for the moment, Chinese investment seems like money falling from the sky, but it could turn into a Trojan horse introducing Chinese politics and values into the heart of Europe" (Meunier, 2014a: 2).

F2 Elections every 5 years

1. That's for the EU Parliament. Individual countries themselves like France and Germany have pretty frequent elections every two years.

F2 Econ benefits doesn't increase populism

1. Vierns from case finds that, despite the economic benefits of infrastructure, Sinophobia still increases, rallying support for protectionist parties.

F2 Populists want to reform eurozone

1. They can't do this, which will force them to leave the EU. Kendall-Taylor of Brookings finds that coalitions will form in Parliament to subvert the influence of populist parties, so they can't reform.

Create gridlock that prevents reforms

Kendall-Taylor, Andrea. "Populism and the coming era of political paralysis in Europe." Brookings Institute. 5/24/19//SSK

https://www.brookings.edu/blog/order-from-chaos/2019/05/28/populism-and-the-coming-era-of-political-paralysis-in-europe/

Europeans, like many Americans, have grown disenchanted with politics as usual. In Europe, the financial crisis of 2008 and especially the refugee crisis of 2015 dealt a major blow to centrist parties that advocated for open markets and open borders. Greeks resented the economic austerity measures imposed on them by the European Union. Germans never got to vote on Chancellor Angela Merkel's decision to allow more than 1 million refugees into their country. As a result, a growing swath of Europeans no longer view mainstream political parties as representing their interests. Far-right populist parties have been the biggest beneficiaries of this growing resentment. Today far-right parties have a presence in 23 out of 28 European parliaments. **As these parties gain a foothold in national parliaments, coalition-building—the bedrock of effective governance in parliamentary systems—is becoming increasingly difficult. More and more European citizens find themselves ruled by "weak coalition" governments, the results of political parties scrambling to form legislative majorities to keep the populists out.** Such coalitions typically take months of horse-trading to form. In Sweden, the surge in support for the far-right Sweden Democrats in last fall's elections meant that the center-left and center-right parties fell short of a majority. It took the government 130 days to form a minority government to shut the far right out. After Germany's 2017 federal elections, there was an unusually prolonged period of nail-biting negotiations until the Christian Democrats (CDU) and the Social Democrats (SPD) formed a grand coalition that excluded the far-right Alternative for Germany (AfD). Regardless of the strategy pursued by centrists, the outcome is the same: a government that is too weak and mired in disagreements to deliver results.

F2 Populists have ¼; unlikely to get majority

1. Balding '18 of Foreign Affairs reports that the Malaysian prime minister won by campaigning against Chinese influence on the BRI.
2. Lutz of the University of Bern: Even if they don't get a majority, mainstream parties shift towards more populist policies in order to lose less votes to radical-right challengers. This means that we can still get access to our short circuit.

Mainstream politicians influenced by populist parties

Lutz, Phillips. "Variation in policy success: Radical-right populism and migration policy." University of Bern. 2016//SSK

https://ecpr.eu/Filestore/PaperProposal/01f8848c-d62d-4abf-b4e5-0ccb76f398ef.pdf

There are two distinct pathways to how parties achieve policy success. **A party's influence on government policies can be indirect, by shifting the policy agendas of mainstream parties,** or direct, by gaining policy-making capacity as part of the government (Schain, 2006). Any evaluation of policy success should consider both the indirect and direct pathways for achieving policy success. **The indirect effect of RRPPs on government policies results from the capacity of a party to influence party competition and its direction (cf. Sartori, 2008). RRPPs particularly influence electoral competition by broaching immigration as a salient political issue and mobilizing antiimmigration sentiments** (Davis, 2012). RRPPs' successful mobilization against immigration hinders mainstream parties from ignoring the restrictive preferences of the median voter, and therefore, liberal migration policies become a bigger electoral risk to them. **As a result, we expect mainstream parties to shift towards policies that are more restrictive. The 'contagion from the right' hypothesis considers this indirect influence and suggests that mainstream parties adopt more restrictive policy positions and enact more restrictive policy changes in order to avoid losing votes to the radical-right challenger** (Bale, 2003; Bale et al., 2010; Van Spanje, 2010). The direct effect of a party on government policies stems from its policy-making capacity. In addition to acting as an electoral competitor, RRPPs demonstrate their coalition potential by entering governments as a junior partner or by providing support to minority governments in a number of European countries (De Lange, 2012; Mudde, 2013). The electoral success of RRPPs provides a strategic opportunity for mainstream-right parties to gain government office by extending the overall size of the right-wing block (Bale, 2003). In order to form such an electoral coalition, it is plausible that mainstream-right parties would co-opt more restrictive migration policies.

Uniqueness: the EU is pushing back against the BRI in order to protect its own interests and align with the US

Gonzalez, Anabel. "EU Trade Policy Amid the China-US Clash: Caught in the Cross-Fire?" Peterson Institute for International Economics. August 2019//DY
https://www.piie.com/system/files/documents/wp19-13.pdf

In the past months, **the EU has been rethinking its trade and investment policy towards China.** While recognizing that China's increased participation in the global economy has opened and will continue to represent new significant opportunities for European companies, **the EU and its member states have become increasingly critical in their pronouncements about China. The European Parliament has played a significant role in developing this renewed policy stance,** and will presumably continue to do so following its renewal in the May 2019 election. From describing China as primarily a strategic partner and a source of growth and jobs, **the EU has moved to a more nuanced and occasionally hawkish framing of its approach to China** (Legrain 2019). An important recent EU strategy paper states that "China is, simultaneously, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in pursuit of technological leadership, and a systemic rival promoting alternative models of governance" (European Commission 2019a). **Strategic political concerns, 17 including over China's growing economic presence in Europe and potential influence on EU policy making, also underline this change** (Morelli 2019). Ostensibly, **the shift in the EU's position stems from the concern that China has failed to reciprocate market access and maintain a level playing field;** thus the need for a new EU approach, where Europe becomes "more strategic in planning its technological and industrial future, and far less naïve with regard to unfair competition from other countries" (European Political Strategy Centre 2019). For example, **one area of worry relates to China's apparent pursuit of unique standards and technical regulations in a number of sectors, including autos, telecommunications equipment, Internet protocols,** wireless local area networks, software encryption, mobile phone batteries and others, a strategy that shields domestic firms from competition and can potentially create significant barriers to access the Chinese markets (USTR 2017a). In addition, the new stance may be motivated by increased defensiveness on the part of European businesses that are feeling more competitive pressure than in the past from their Chinese peers; **and by a willingness to align as much as possible with the US, thus limiting the scope for transatlantic conflict.**

France is pushing back against the BRI

Bartholomew, Carolyn. "China's Belt and Road Initiative." China Economic and Security Review Commission. June 2019//DY
https://www.finance.senate.gov/download/06122019-bartholomew-testimony

Interestingly, President **Macron** of France announced 15 business deals worth about $45 billion including 300 Airbus planes, but carefully **noted France was not "joining" the BRI and, in fact, pushed back against it, noting that Silk Road cooperation must work in both directions and meet international norms.**

Uniqueness – Germany rejecting BRI investment now

Kastener, Jens. "China's European outreach hits a wall in." Nikkei Review. July 2019//DY

https://asia.nikkei.com/Spotlight/Asia-Insight/China-s-European-outreach-hits-a-wall-in-Germany

BREMEN, Germany/TOKYO — The German tabloid Bild has a reputation for being staunchly pro-American, but one particular article left a Chinese diplomat in shock. The newspaper had blasted the Federal Association of the German Silk Road Initiative, or BVDSI, for unscrupulously teaming up with China despite its "aggressive economic policy" and "blatant human rights abuses." This struck a nerve in Du Xiaohui, the Chinese consul general in Hamburg, who complained at the association's launch event that some Germans have a "sick immune system" that makes them allergic to their country's largest trade partner for the three years through 2018. Germany, Europe's largest economy, has in recent months taken a series of steps that discourage Chinese investment in its industries. Ambitions on both sides to nurture more competitive "champion" companies are complicating the relationship, as are persistent concerns about individual liberties and U.S. President Donald Trump's policies. Though Berlin and Beijing do share common interests, China is encountering pushback at the farthest reaches of the Belt and Road Initiative. The BVDSI exists to promote participation in the Belt and Road — China's drive to build an infrastructure network that bridges Asia and Europe. A local banker attending the event with Du on March 29 reminded members that the city of Bremen, connected by a river to the North Sea, had flourished through free trade with Asia back when "Mr. Trump's America hadn't even been discovered." Public opinion and the government, however, are turning against the group and Chinese companies that are hungry for European expansion. Although German Chancellor Angela Merkel joined Chinese President Xi Jinping in calling for "win-win cooperation" at a summit in Paris in March, the reality is far from that, a BVDSI representative argued. Chinese President Xi Jinping, center, and German Chancellor Angela Merkel, right, are seen with U.S. President Donald Trump and other world leaders at a G-20 summit in Hamburg in 2017. © Reuters "Cooperation with China presents great opportunities for German small and medium-sized enterprises in all the economies along the BRI route, but there are strong headwinds from Berlin and the European Commission, with no improvement perceivable whatsoever," said Hans von Helldorff, the association's spokesman. "The German government does not only reduce the opportunities by restricting Chinese investment in German firms," he continued, "but also by not delivering regulative measures that are needed for German SMEs to actively engage in the BRI countries." In December, the government tightened the foreign trade law, allowing Berlin to intervene for the sake of public order or security if a non-European investor buys 10% of a company. The threshold had been 25%. Then, in February, Economic Affairs Minister Peter Altmaier revealed a "National Industry Strategy 2030" designed to push back against powerful Chinese state-backed enterprises. Altmaier called for creating a state fund that could outbid any foreign investor targeting German companies with critical technology. *All this has coincided with a steep plunge in Chinese investment.* Research by Baker McKenzie and Rhodium Group shows China invested $380 million in Germany in the first half of 2019, down 75% from $1.51 billion a year earlier, as the U.S. warned allies to keep cutting-edge technology out of Chinese hands. Europe as a whole saw a 26% decline, to $9 billion — the lowest first-half total since 2015 and 83% below the peak of $53.9 billion in 2017. Baker McKenzie said the deal pipeline offers few reasons for optimism about the second half. Beijing's controls on nonessential investments, from soccer clubs to real estate, are a significant factor in the decline. The rules were tightened last year in light of decreasing foreign exchange reserves and China's deteriorating current account