# AC – European Recession

We affirm

Resolved: The European Union should join the Belt and Road Initiative.

## Our Sole Contention is Combating Slow Growth.

**Kempe** writes in **2019** that Eurozone economic output was lower in 2017 than it was in 2009. The European Commission has cut the growth forecast to a measly 1.2% as concerns over Germany’s economic strength abound. **Kirkegaard** furthers in **2019** that in a downturn the European Central Bank will not be able to provide sufficient stimulus to save the EUs economy. **Withers** continues in **2019** that gloomy growth forecasts have spooked investors who fear that the growth crisis in the EU could drag down the entire global economy. **Blakely** adds just one week agothat the EU’s economic policies are failing which is why high inflation ensures that entire Eurozone will fall into a painful recession.

Fortunately, if the EU were to join the Belt and Road Initiative, it would revive the European economy in 3 ways.

First, is by implementing free trade with China.

**Kohl** writes in **2019** that the BRI sets out to reduce trade costs through the creation of free trade agreements. **Xinhua** continues in **2019** that because of the BRI, China has signed free trade agreements with many countries including the Association of Southeast Asian Nations, Singapore, and Pakistan. This is crucial as **Bruegel** finds in **2017** that new BRI related trade could invigorate growth in the EU. The **CEPS** quantifies in **2016** that EU exports to China could increase by up to 110.6% and China’s exports to the EU could increase by up to 56.9% under a free trade agreement. This would amount to an addition of $93.2 billion to the European economy while also leveling the trade defecit.

Second, is by increasing tourism.

**Popova** reports in **2019** that China is expected to become the largest market in outbound departures by 2030, with 256 million trips. Accessing that market has great economic potential for Europe.

Fortunately, **Belt and Road News** reports in **2019** that a sharp increase in tourism in BRI countries is attributable to the relaxation of visa policies for Chinese tourists as many host countries have adopted visa-on-arrival or visa-free policies for Chinese tourists. **Long and Xu** furthers that when the Chinese government works hand-in-hand with host countries they are able to improve tourist visa facilitation, allowing for easier travel.

Empirically, joining the BRI drastically increases tourism as **Ijaz** reports that when Pakistan joined the BRI, tourism increased by 300%, adding 19.4 billion to their economy and constituting 6.9% of total GDP. **Belt and Road News** continues that over the past five years, tourism from China to BRI countries has increased by 77%.

Moreover, **The National Tourism Administration** finds that China will transport 150 million tourists to countries along the BRI, and $200 billion will be consumed. **Luty** reports in **2019** that Europe heavily relies on tourism as a means for making money. As the global demand for tourism shifts, it is critical to the EU economy for them to adopt practices that facilitate Chinese tourism.

Third, is by reviving German infrastructure.

**McCormick** explains in **2019** that business confidence in Germany has slid to its lowest level since 2014 revealing major weakness in the EUs largest economy. Economic growth is at just 0.2 percent as pessimism grows. **Petroff** continues in **2019** that the weak link in the German economy is a lack of infrastructure spending as the government refuses to run a deficit, and more spending on infrastructure would boost the economy and spur business spending. **Schulze** adds in **2016** that Germany is the main economic problem in Europe because of their economic hegemony on the continent. This is crucial because **Ewing** finds in **2019** that the EU cannot thrive when the German economy is sickly as it accounts for more than 25% of the EU’s output and Germany’s economy stokes the economies of every country in the EU.

Crucially, **Jimaei** writes in **2019** that German businesses have shown growing enthusiasm towards the BRI because as **Rolland** writes in **2019**, under the BRI, China has undertaken thousands of infrastructure projects in participating countries.

Moreover, **The Economist** writes in **2019** that investment in infrastructure would rebalance the German economy and infrastructure spending can be used as predictive fiscal policy to prevent a deep downturn.

The impact is avoiding another financial crisis.

**Withers** warns that slow Eurozone growth could drag down the entire global economy, leading to another financial crisis if nothing is done in Europe. **Kempe** highlights in **2019** that the EU barely survived the first crisis and another major recession would be a huge threat. In another financial crisis, millions of people would fall into poverty. A **World Bank** study concluded that in the 2008 recession, 155 million people fell into extreme poverty.

Thus, we affirm.

# CARDS

## Case

### Intro

#### Kempe ‘19

Frederick Kempe, 25 May 2019, CNBC, <https://www.cnbc.com/2019/05/24/european-union-real-dangers-are-slow-growth-declining-clout-uninspired-leadership.html>

It’s no wonder that populists are gaining ground against established parties that haven’t delivered results. If the eurozone’s GDP over the past decade were a stock, you wouldn’t want to own it. Eurozone economic output in 2017 was lower than it was in 2009, according to World Bank figures. Looking at the considerable political risks ahead, the Atlantic Council’s Ben Haddad judges that stock as “high risk, low returnn risks ahead By comparison, Chinese GDP over that same period grew by 139%, India’s GDP by 96% and the United States’ by 34%. The European Commission has [cut](http://europa.eu/rapid/press-release_IP-19-2388_en.htm) the 2019 eurozone growth forecast to 1.2% from an already unimpressive [1.9%](https://ec.europa.eu/commission/news/commission-publishes-autumn-2018-economic-forecast-2018-nov-08_en) -- with [concerns](https://www.wsj.com/articles/germanys-economy-rebounds-despite-darkening-trade-outlook-11557912905) over Germany’s economic strength abound. “And there are strong signals that worse is to come,” [says](https://www.project-syndicate.org/commentary/european-parliament-elections-eu-reform-by-ana-palacio-2019-05?a_la=english&amp;a_d=5ce56f174f47733ae094e2b6&amp;a_m=&amp;a_a=click&amp;a_s=&amp;a_p=homepage&amp;a_li=european-parliament-elections-eu-reform-by-ana-palacio-2019-05&amp;a_pa=curated&amp;a_ps=) Ana Palacio, former Spanish foreign minister. “Debt levels are rising fast and the European Central Bank has re-launched stimulus measures to stave off recession.” Unlike the financial crisis of a decade ago, where the pain was concentrated in southern Europe, this one will hit the eurozone generally and, most dangerously, Germany. “The European Union barely survived the first crisis,” says Palacio. “A recession that hits the EU core would amount to a serious, even existential threat.”

#### Kirkegaard ’19

Peterson Institute for International Economics, 18 April 2019, Jacob Funk Kirkegarrd, <https://www.piie.com/blogs/realtime-economic-issues-watch/europes-new-leaders-need-think-now-about-next-economic-downturn>

Europe has rebounded nicely, if unevenly, after its last double-dip recession by relying on the monetary stimulus of the European Central Bank (ECB) and other central banks. Today, however, Europe faces a potential economic iceberg when its next recession hits, though this issue seems strangely absent from the debate over who should run Europe’s major institutions later this year. Because the ECB and other European central banks will not be able to provide sufficient macroeconomic stimulus in the next downturn, a boost will have to be forthcoming instead from fiscal policy in Europe.[[1]](https://www.piie.com/blogs/realtime-economic-issues-watch/europes-new-leaders-need-think-now-about-next-economic-downturn%22%20%5Cl%20%22_ftn1%22%20%5Co%20%22) This is both good and bad news. On the monetary front, policy rates remain at zero or negative and the ECB has accumulated a sizeable €2.6 trillion (22 percent of euro area GDP) bond portfolio, complicating further large-scale asset purchases. Measured at the EU or euro area levels, Europe has averaged general government deficits in 2018 below 1 percent of GDP, with gross debts falling since 2014. Fiscal space is thus available to combat the next downturn. Lower interest levels in Europe in the foreseeable future give governments the capacity to carry extra debt, reducing constraints on Europe’s fiscal capacity.[[2]](https://www.piie.com/blogs/realtime-economic-issues-watch/europes-new-leaders-need-think-now-about-next-economic-downturn%22%20%5Cl%20%22_ftn2%22%20%5Co%20%22) The problem of course remains political. The EU and especially the euro area remain half-built houses without the institutions to decide and implement a common fiscal policy, a major handicap that will come to haunt Europe even more in the future. Because the next downturn will likely come in the next five to eight years, during the tenure of Europe’s new incoming presidents of the European Commission and ECB, the views of Europe’s presidential candidates on the role of fiscal policy is especially pertinent. As I have argued [elsewhere](https://piie.com/blogs/realtime-economic-issues-watch/why-next-ecb-president-will-be-germany-and-probably-jens), the next ECB president must not only be willing to use monetary policy to combat downturns but also effectively push member states to be more forceful in using fiscal policy for the same purpose. All fiscal stimulus acts with a time lag. Speed is of the essence if the stimulus is to work. Europe cannot afford to invent new institutions through which to channel fiscal stimulus, as it did in 2010, which is why leadership at the European Commission may be crucial. Fiscal expansion may not be such an easy sell. President Emmanuel Macron of France has scaled back his 2017 proposal for a new euro area budget, ruling out countercyclical purposes. The so-called Budget Instrument for Convergence and Competitiveness comes into being in 2021, but as a new euro area institution without its own expert staff or experience, it cannot—as the argument sometimes goes—easily be scaled up in the next crisis. The European Stability Mechanism (ESM) is another possible fiscal policy conduit for the euro area, but it remains able to lend conditionally to member states only in a crisis. Changing its governance may prove time consuming in a downturn, accompanied by concerns over its use of bailout resources. The euro area will therefore not have its own preemptive fiscal institutional capacity in the next downturn, leaving the European Commission to do the job. A limited quasi-fiscal and countercyclical role for the European Commission is not entirely novel, as the EU’s so-called "[Juncker Plan](https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan_en)" illustrated in 2014. It used public sector financial guarantees from the Commission (and European Investment Bank, or EIB) and policy support to mobilize private investment capital. The Commission also helped Greece overcome its deep economic crisis by eliminating the requirement for member state cofinancing of EU-funded investments. But the next European downturn might require something more ambitious and innovative. Any plan to rely on the EU budget and the European Commission for countercyclical fiscal purposes will be seen as politically far-fetched, just as the creation of crisis-driven institutions were in 2010 and afterwards. These included the European Commission’s European Financial Stabilization Mechanism [(EFSM)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32010R0407&from=EN) alongside the euro area’s larger and better known European Financial Stability Facility (EFSF). At that time, the turmoil in euro area government bond markets unnerved policymakers, creating the political space to creatively use the EU budget to raise up to €60 billion through the EFSM.

#### Withers ‘19

Paul Withers, UK Express News, 13 February 2019, <https://www.express.co.uk/finance/city/1086662/europe-news-eurozone-latest-global-economy-germany-italy-recession>

Last week, [eurozone](https://www.express.co.uk/latest/eurozone) growth forecasts were slashed by the European Commission as fears continue to intensify over the bloc's biggest economies. In its latest quarterly forecasts, [the Commission warned eurozone growth will slow to 1.3 percent this year from 1.9 percent in 2018](https://www.express.co.uk/finance/city/1083872/eurozone-news-european-commission-growth-forecasts-italy-germany-recession). Growth is expected to rebound slightly to 1.6 percent in 2020, but alarm bells will be ringing as the new estimates are less optimistic than the Commission’s previous forecasts. In November, Brussels said it expected eurozone growth to hit 1.9 percent this year and 1.7 percent in 2020. The Commission is also forecasting growth in a 27-nation [European Union](https://www.express.co.uk/latest/european-union) - without Britain due to [Brexit](https://www.express.co.uk/latest/brexit) - to dramatically slow to 1.5 percent this year from 2.1 percent in 2018. The recent gloomy forecasts have spooked investors, who fear the crisis dominating the eurozone could drag down the global economy with it. Salman Ahmed, chief investment strategist at Lombard Oliver, told Bloomberg: “The concern I have right now is in Europe. “It’s clear China is going through a slowdown, but there’s also a strong amount of stimulus in the pipeline. However, in Europe, things are deteriorating quite fast.” [Germany](https://www.express.co.uk/latest/germany)’s crumbling economy - Europe’s biggest at £3.1trillion - has magnified the seriousness of the financial problems engulfing the bloc. In December, [industrial output fell for the fourth consecutive month, down 0.4 percent on November](https://www.express.co.uk/finance/city/1083993/eurozone-latest-germany-output-german-economy-recession-eu-news). This was in contrast to a forecast from Reuters for an increase of 0.7 percent. Industrial output was down 3.9 percent on December 2017. Earlier this month, Germany’s lucrative manufacturing sector plunged into contraction territory, slumping to 49.7 points in January from 51.1 in December, according to the latest figures from IHS Markit.

#### Blakeley ’19

Grace Blakeley, 18 October 2019, New Statesmen, <https://www.newstatesman.com/politics/economy/2019/10/another-eurozone-recession-looms-failure-austerity-clearer-ever>

The combination of loose monetary policy and tight fiscal policy is making the rich richer and the poor poorer. These combined policies are also failing to achieve their stated objectives – inflation is still far below the ECB’s 2 per cent target, and the entire Eurozone is about to tumble into a painful recession. So when Draghi announced another wave of interest rate cuts and QE, it is perhaps unsurprising that he accompanied it with a plea for national governments to loosen the purse strings. The problem is Germany. Comfortable with its vast current account surplus and balanced budget, it refuses to countenance an investment-led response to the current economic crisis. With Germany – very obviously the hegemonic power in Europe – prioritising the maintenance of its own current account and budget surpluses over reducing inequalities between Eurozone states, it is not hard to see why support for anti-EU parties is rising across the continent. And not only is Germany’s myopia causing economic and political turmoil, it is also standing in the way of an EU-wide Green New Deal that is desperately needed to address the climate crisis.

### 1 – German Infrastructure

#### McCormick ‘19

McCormick, Myles. “German Business Confidence Slides to Lowest Level since 2014.” Financial Times, Financial Times, 22 Feb. 2019, [www.ft.com/content/8098cf74-3681-11e9-bd3a-8b2a211d90d5](http://www.ft.com/content/8098cf74-3681-11e9-bd3a-8b2a211d90d5).

Business confidence in Germany this month slid to its lowest level since December 2014 in the latest sign of weakness in the Eurozone’s largest economy. Financiers views soured on both the current economic conditions and the country’s future outlook, according to the latest business climate index published by the Ifo Institute think tank. The gauge fell more sharply than expected to 98.5 in February from a revised level of 99.3 in January. Analysts polled by Reuters had expected a reading of 99. “Worries in the German business world continue to grow,” said Clemens Fuest, president of the Ifo Institute. “These survey results as well as other indicators point to economic growth of 0.2 per cent in the first quarter. The economic situation in Germany remains weak.” The gauges for both current conditions and future outlook dropped slightly further than expected to 103.4 and 98.3 respectively, compared to 104.5 and 94.3 last month. The gloom was driven by growing pessimism across manufacturing — which fell for the sixth straight month — services and construction, with a slight uptick in views on trade. Claus Vistesen, an economist at Pantheon Macroeconomics, said: “These headlines are not pretty. Across sectors, sentiment slipped further across the board, indicating that political uncertainty and external headwinds continue to depress business sentiment.”

#### Schulze ‘16

Sept 14 2016. https://www.cnbc.com/2016/09/14/germany-has-a-crumbling-infrastructure-problem.html

The repercussions of Germany’s crumbling infrastructure — and reconstruction efforts — extend beyond travel delays and traffic jams. DIW’s Fratzscher said the current conditions are causing lasting economic damage. “Public investment for investment in infrastructure is an important precondition for the creation of jobs, productivity and economic dynamism,” he said.

#### Jiamei ‘19

Jiamei, Wang. “German Business Enthusiasm for Belt and Road Initiative to Prompt Pragmatism from Berlin.” Global Times, 2 Apr. 2019, www.globaltimes.cn/content/1144461.shtml.

German business circles have shown growing enthusiasm toward the [Belt and Road](http://www.globaltimes.cn/special-coverage/Belt%20and%20Road%20Initiative%20News%20Desk.html) Initiative (BRI), even though the German government is still wrangling over the infrastructure-building initiative. On March 29, the Federal Association of the German [Silk Road](http://www.globaltimes.cn/special-coverage/ReportsfromtheSilkRoad/index.html) Initiative (BVDSI) was founded in Bremen, Germany to serve as a platform for establishing project-related contact for economies along the BRI route. The development opportunities of the BRI - and how to seize them - have apparently become the consensus within and a focus of the German business community. This eagerness is totally justified, considering that the BRI is now widely seen as the engine for economic growth. Just last month, Italy, resisting pressure from the EU and the US, officially signed a memorandum of understanding with China to endorse the infrastructure-building initiative, becoming the first G7 country to join the BRI. The two sides welcome the signing of the MOU, said a joint communique issued by the two countries. "The two sides stand ready to strengthen the alignment of the BRI and Trans-European Transport Networks and deepen the cooperation in ports, logistics, marine transportation and other areas,"  said the communique, according to Xinhua.

#### Jiamei ‘19

Jiamei, Wang. “German Business Enthusiasm for Belt and Road Initiative to Prompt Pragmatism from Berlin.” Global Times, 2 Apr. 2019, www.globaltimes.cn/content/1144461.shtml.

Amid the global economic slowdown and rising anti-globalization sentiment, the economic benefits brought by BRI projects are growing increasingly obvious and becoming more and more attractive to European countries. The BRI promotes the development of infrastructure construction in BRI economies, providing great business opportunities for European companies and industries, which will give a major boost to these economies. Also, against the background of growing political and financial uncertainties in the world, it is necessary for the EU to strengthen bilateral cooperation with China. Even European leaders have gradually realized that they cannot shun BRI projects. On March 26, German Chancellor Angela Merkel described the BRI as an important project in which Europeans wanted to participate, but that also "must lead to a certain reciprocity, and we are still wrangling over that a bit."

#### O’Brien ‘19

June 11 2019. https://www.bloomberg.com/news/articles/2019-06-11/germany-gets-a-recession-warning-as-investor-confidence-plunges

Germany is at risk of a recession amid escalating protectionism that is weighing on the export giant, according to Sentix. Its index of how investors view the economy fell to the lowest since 2010, indicating a recession is “therefore just around the corner.” The gauge for the euro area also declined. Concern about the economy is already being reflected in markets, where 10-year yields on German debt are at a record low. The European Central Bank has said it will keep interest rates at a record low for longer and has even begun discussing the possibility of further stimulus.

#### Amaro ‘19

June 28 2019. https://www.cnbc.com/2019/06/28/a-recession-in-germany-could-mean-economic-damage-for-these-countries.htmlData ut Monday showed the manufacturing sector in Germany has weakened over the last couple of months, adding to other gloomy indicators, with economists considering whether a recession is on its way. If this were to materialize, the entire euro zone would be at risk, given the importance of the German economy to the region. Hense explained that countries in the region are struggling already, namely Italy, and those that are doing better but have close industrial ties to Germany — such as Austria and Eastern Europe — would be “particularly vulnerable to a German recession.” “The more an industry-led German recession would spread to the domestic side of the economy, France, Spain and tourism spots in the south (of Europe) would suffer too,” Hense said.

#### Petroff ‘19

Alanna Petroff, 22 September 2017, CNN Business, <https://money.cnn.com/2017/09/22/news/economy/germany-infrastructure-investment-spending/index.html>

The German economy has a weak link: Infrastructure. The German economy is a finely-tuned machine fueled by competitiveness and efficiency. A closer look reveals wear and tear in a vital area: Infrastructure. Broadband speeds are slower in Germany than in many of its less developed neighbors, and many of the country's schools would benefit from tech upgrades and structural refurbishment. Its roads could also use some work: In 2017, Germany's road network slid to 16th in the World Economic Forum's Global Competitiveness Report, the latest in a series of downgrades. Experts warn that Germany is at risk of falling behind if it does not invest more, advice that Chancellor Angela Merkel, who is campaigning to win a fourth term in elections on Sunday, says she has taken to heart. Her critics, both foreign and domestic, say that much more could be done. Germany has long been criticized by its neighbors because it exports more goods than it purchases from abroad, a dynamic that makes it difficult for other European countries to keep their trade deficits in check and remain competitive. More spending by the German government -- on infrastructure, for example -- would help boost the economy and spur business spending. The windfall would encourage German consumers to spend more on foreign services and imported goods, ultimately reducing the country's trade surplus. "Government investment is a good way to stimulate demand," said Stephen Brown, an economist at Capital Economics. "[Germany is] not recognizing that there could be a link ... between public sector and private sector investment." Yet the German government -- which wants to avoid a budget deficit -- is reluctant to increase spending too much.

#### Ewing ‘19

Ewing, Jack. Aug 16 2019. “Germany Has Powered Europe’s Economy. What Happens When Its Engine Stalls?”. New York Times. https://www.nytimes.com/2019/08/16/business/eu-economy-germany-recession.html

When a debt crisis slammed the eurozone nearly a decade ago, Germany’s powerhouse economy helped lift troubled neighbors like Greece, Portugal and Spain above the turmoil. The question that Europe faces now is whether those countries are strong enough to return the favor. There is little chance that the European Union can thrive when Germany is sickly. Germany has the eurozone’s biggest economy, accounting for more than a quarter of the bloc’s output. It has the most people, 83 million, and the most workers, who help stoke nearly every other country’s economy. The list of European Union countries that count Germany as their No. 1 trading partner is long. It includes France, Italy, the Netherlands, Belgium, Slovakia and Sweden. Germany is especially vulnerable to trade tensions because exports account for almost half of the country’s gross domestic product. And it is most sensitive to the downturn in the auto industry because vehicles are the country’s biggest export. Sales of German cars have slumped as Chinese buyers pull back.

#### The Economist ‘19

15 August 2019, <https://www.economist.com/europe/2019/08/15/germanys-economy-is-now-shrinking>

A short-term bump in spending, as Mrs Merkel argues, would rub up against bottlenecks in areas like construction. Nor would it help remove the pall of uncertainty facing German firms. So some analysts want a credible, possibly cross-party, commitment to establish a fund that would disburse several hundred billion euros over the next decade. Possible targets include transport infrastructure, broadband networks, house building and help for local governments struggling under debt loads. Other ideas include cutting taxes on Germany’s army of low-paid workers or its corporations, or introducing incentives for climate-friendly policies like retrofitting buildings and clean fuel. There could hardly be a better time. Yields on 30-year government bonds are negative, meaning in effect that investors pay the government for the privilege of lending it money. Even if the European Central Bank cuts rates further next month, the monetary toolbox is nearly exhausted. Tax cuts and, in time, investment in infrastructure would help rebalance the German economy from its exports-first approach. Mrs Merkel, now in the twilight of her chancellorship, has u-turned before, notes Mr Dullien. But the headwinds may need to blow a little harder first.

#### The Economist ‘19

<https://www.economist.com/leaders/2019/08/22/germany-needs-fiscal-stimulus-heres-how-to-do-it>

None of these applies to Germany. Stimulus is patently affordable. The government can borrow for 30 years at negative interest rates. As a result, it could probably spend double what Mr Scholz suggests for years and still keep its debt-to-gdp ratio steady at around a prudent 60%. Central bankers are hamstrung. Short-term interest rates cannot fall much further. The European Central Bank is likely to start buying more assets in September, which will help but may not be enough. And crowding out investment is not a concern. Negative rates are a sign that Europe is awash with savings and bereft of plans to put them to use (see [article](https://www.economist.com/finance-and-economics/2019/08/22/the-japanification-of-bond-markets)). If Germany deployed them to improve its decaying infrastructure, its firms would probably invest more, not less. The country needs looser fiscal policy in both the long term and the short term. It has neglected infrastructure in pursuit of needlessly restrictive fiscal targets, most recently its “black zero” ban on deficits. This has, for example, left 11% of its bridges in poor condition and its railways plagued by delays. Germany should replace the deficit ban with a rule allowing borrowing for investment spending. It should use tax breaks to encourage its private firms, innovation laggards, to invest more too, including in research and development. In the short term Germany needs demand. This necessity has grown in strength this year as the economy has deteriorated. Although unemployment is just 3.1%, the Bundesbank has warned that joblessness could soon rise. The domestic economy cannot endure brutal global trading conditions for ever. It would be better to use fiscal policy to prevent a deep downturn than to wait for recession to bring about a bigger deficit of its own accord.

#### Rolland ’19

Nadège Rolland, The National Bureau of Asian Research, 11 April 2019, <https://www.nbr.org/publication/a-guide-to-the-belt-and-road-initiative/>

[According to Chinese official sources](https://gbtimes.com/chinese-state-enterprises-undertake-over-3100-belt-and-road-projects) from the State-owned Assets Supervision and Administration Commission, since 2013, 80 Chinese state-owned enterprises (SOEs) have undertaken over 3,100 BRI projects. “Hard” infrastructure projects occur mostly in the following sectors: transportation (ports, roads, railways), energy (pipelines, power grids, hydropower dams), and information technologies and communications (fiber-optic networks, data centers, satellite constellations). In addition, “soft” infrastructure projects are also underway, such as the creation of special economic zones and the negotiation of free trade agreements, currency swap agreements, and reduced tariffs.

### 2 – Free Trade

#### Rolland ’19

Nadège Rolland, The National Bureau of Asian Research, 11 April 2019, <https://www.nbr.org/publication/a-guide-to-the-belt-and-road-initiative/>

[According to Chinese official sources](https://gbtimes.com/chinese-state-enterprises-undertake-over-3100-belt-and-road-projects) from the State-owned Assets Supervision and Administration Commission, since 2013, 80 Chinese state-owned enterprises (SOEs) have undertaken over 3,100 BRI projects. “Hard” infrastructure projects occur mostly in the following sectors: transportation (ports, roads, railways), energy (pipelines, power grids, hydropower dams), and information technologies and communications (fiber-optic networks, data centers, satellite constellations). In addition, “soft” infrastructure projects are also underway, such as the creation of special economic zones and the negotiation of free trade agreements, currency swap agreements, and reduced tariffs.

#### Pelkmans ’16

Dr. Jacques Pelkmans, Senior Fellow at CEPS in Brussels and visiting professor at the College of Europe in Bruges, “TOMORROW’S SILK ROAD”, https://www.ceps.eu/wp-content/uploads/2016/04/EUCHINA\_FTA\_Final.pdf, *Center for European Policy Studies*, 2016

The economic potential in bilateral trade is shown to be large (more than a doubling of what are already very large trade flows both ways), and this does not include expected powerful investment effects (which, unfortunately, are resistant to modelling, so no hard estimates) and their repercussions for bilateral trade in goods and services. It would also be positive for GDP and jobs. Because of this growth potential, he concludes that With respect to the reference year 2030, GDP is expected to be 1.16% higher in China and 0.43% higher in the EU under the modest FTA, but 1.87% higher in China and 0.76% higher in the EU in the ambitious scenario.

#### Bruegel ‘17

Bruegel, Chatham House, China Center for International Economic Exchanges and The Chinese University of Hong Kong, September 2017, <http://bruegel.org/wp-content/uploads/2017/09/CHHJ5627_China_EU_Report_170912_WEB.pdf>

Such negotiations can be initiated upon the successful conclusion of the investment agreement between the EU and China. China’s relative importance to the EU as a trade partner will continue to grow in the coming years, even as the EU’s relative importance to China is likely to decline slightly (by 2020, the EU may no longer be China’s largest trading partner, partly as a result of Brexit). This means that the extent to which China and the EU further open up their markets and improve trade and investment liberalization and facilitation with each other will be a crucial factor shaping EU–China economic relations to 2025. As China’s economy continues to develop and urbanize, leading to a shift to higher-quality consumption and higher value-added activities, expanding market access and coordinating regulation between the EU and China will become more important and potentially easier to achieve. Trade in services should be actively promoted in both directions. Healthcare products and services are good examples of areas that can benefit both sides. Driven by the changing demographics of China’s ageing population and the capacity gap in healthcare provision between the EU and China, it should become a major area for market opening. As an example of an FTA’s potential impact, Chinese research estimates that an FTA in 2020 could increase the EU’s exports to China by one-third over the five years to 2025, while China’s exports to the EU would be 20 per cent higher. Although an FTA would help improve the EU–China trade balance, eliminating the EU’s trade deficit with China will require additional joint efforts beyond an FTA. In the meantime, the two sides should encourage pragmatic cooperation and market liberalization across a number of related areas, while conducting further research and engaging in dialogue on how an FTA could help deliver mutually beneficial economic development. 3. Use China’s Belt and Road Initiative (BRI) as a platform for further expanding bilateral trade and economic cooperation The BRI offers the opportunity for complementary benefits to the EU and China. The EU has the potential to become the western ‘anchor’ of the BRI, which aims to create new land and sea connections between the fast growing markets of East Asia and the mature, developed markets of Europe, enhancing trade between them as well as markets along the planned rail and sea routes. Related Chinese investment, alongside the EU’s ‘Juncker Plan’, can help address some EU infrastructure bottlenecks, especially in port and rail facilities in Central and Eastern Europe, and through new rail freight routes between China and Europe. The EU’s global trade could increase by some 6 per cent as a result, once all related projects are completed, principally due to a reduction in transport costs. EU companies could use these new routes to increase the amounts of their exports to a growing Chinese consumer market, even as Chinese companies improve the price competitiveness of their exports in the other direction. For their part, EU financial institutions can bring expertise in the long-term financial management of complex infrastructure investment projects, while European investment could help BRI projects meet the necessary global standards for environmental and other forms of sustainability. Moreover, new BRI-related investment, trade and industrial cooperation can help invigorate growth in the EU and its neighbourhood. The EU and China should ensure that these investments contribute to balanced, sustainable and inclusive development for both and for the world economy as a whole.

#### Center for European Policy Studies ’16

April 2016, <https://www.amfori.org/sites/default/files/CEPS%20-%20EU-China%20agreement%20-%20Summary.pdf>

EU bilateral exports to China increase strongly, by between 79.2% (modest) and 110.6% (ambitious), while there is a tiny drop in exports to the rest of the world. Overall EU exports go up by between 2.2% and 3.2%, respectively. China’s exports to the EU increase by between 39.2% (modest) and 56.9% (ambitious), with a larger increase in total exports in value than for the EU. In addition, in the China case, there is a slight increase in exports to the rest of the world. Hence, the trade effects of the FTA are quite powerful, with more than a doubling of EU exports and a 60% increase of the already very large Chinese exports (of goods mainly) to the EU.

#### Xiaoyu ‘19

Guo Xiaoyu, Xinhua, 11 June 2019, <http://www.xinhuanet.com/english/2019-06/11/c_138134270.htm>

China and the European Union (EU) maintain steady development of bilateral economic relations, adding stability to the global economy shadowed by mounting uncertainties. In the first five months this year, the EU remained China's largest trading partner, with bilateral trade volume up 11.7 percent from one year earlier to 1.9 trillion yuan (about 276 billion U.S. dollars), official data showed. Such an amount accounted for 15.7 percent of China's total trade volume in the period. The steady trade growth is based on the interdependence of the bilateral economic and trade relations and the two sides' consensus on striving for mutual benefit and development. Trade between China and the EU demonstrates high complementarity, said Liang Ming, a researcher with a research institute of the Ministry of Commerce, adding that market demands from each side keep boosting the bilateral trade growth. More importantly, the two sides, with enhanced economic ties, set a role model of facilitating multilateralism and free trade against stronger headwinds. "Against the backdrop of rising trade protectionism, the stable development of the China-EU economic cooperation plays a pivotal role in stabilizing the global economy," Liang said.

#### Xinhua ’19

22 April 2019, <http://www.xinhuanet.com/english/2019-04/22/c_137998513.htm>

Solid progress has been made in promoting unimpeded trade among countries and regions participating in the Belt and Road Initiative (BRI), according to a report released Monday. Efforts invested in the initiative have liberalized and facilitated trade and investment in the participating countries and regions, lowered the costs of trade and business, and released growth potential, enabling the participants to engage in broader and deeper economic globalization, it said. "A network of free trade areas involving China and other Belt and Road (B&R) countries has taken shape," it said. China has signed or upgraded free trade agreements with ASEAN, Singapore, Pakistan, Georgia and other countries and regions, and signed an economic and trade cooperation agreement with the Eurasian Economic Union, according to the report. Trade in goods between China and other B&R countries reached 1.3 trillion U.S. dollars in 2018, up 16.4 percent year on year, while that in services rose 18.4 percent from 2016 to 97.76 billion dollars in 2017.

#### Kohl ’19

Tristain Kohl, “The Belt and Road Initiative’s Effect on Supply-Chain Trade: Evidence from Structural Gravity Equations”, www.academic.oup.com/cjres/article/12/1/77/5289371, *Cambridge Journal of Regions, Economy and Society Studies*, 14 January 2019

Alternatively, **BRI sets out to reduce trade costs through the creation of FTAs. In their simplest form, FTAs reduce[ing] tariffs. However, more recent FTAs tend to be much more extensive by design, covering a wide variety of policy domains unrelated to tariffs, which may still serve as impediments to trade** *(Baier et al., 2018; Kohl et al., 2016). Examples of such policies include mutual recognition of product standards or even complete harmonisation of legislation. Taken together, the key mechanisms through which we expect BRI to bring about a change in international trade is through either a change in geographic distance as a proxy for infrastructural investments, or the creation of FTAs as a substitute for such infrastructural developments.*

#### CEPS ‘16

Executive Summary, CEPS. April 2016. “Tomorrow’s Silk Road: Assessing an EU-China Free Trade Agreement.” https://www.amfori.org/sites/default/files/CEPS%20-%20EU-China%20agreement%20-%20Summary.pdf

The EU-China FTA is simulated to affect GDP positively: it will be (by 2030) 1.16% higher in China and 0.43% higher in the EU under the modest FTA, but 1.87% higher in China and 0.76% higher in the EU under the ambitious FTA. Because EU income is higher overall, the outcomes in money terms are more balanced: $62.5 (now €55.8) billion for China and $54.3 (now €48.5) billion for the EU in the modest case; $99.7 (now €89.1) billion for China and $93.2 (now €83.3) billion for the EU in the ambitious case. A fourth case can be found in the strong link between profound domestic reforms in China, as the next stage in its transition to becoming a well functioning, developed market economy and escaping the ‘middle-income trap’, and the exposure to foreign goods and services competition as well as more widespread FDI in all sectors. For China, it is the ‘new logic’. The fundamental connection is the drive to stimulate productivity growth over a long period of time, after the current model of mass production based on low-skilled assembly and extreme export-led growth in such products has begun to run out of steam. Higher productivity growth trends also require better, more and higher-quality services, both domestically and as crucial elements in global value chains. Opening up the Chinese economy is therefore in the mutual interest of both the EU and China, and a deep partnership in the form of an ambitious FTA seems the most expeditious way to achieve that aim (compared to WTO plurilaterals and still more technical cooperation, as alternative approaches). A FTA between China and the EU is worthwhile for a host of reasons. The economic potential in bilateral trade is shown to be large (more than a doubling of what are already very large trade flows both ways), and this does not include expected powerful investment effects (which, unfortunately, are resistant to modelling, so no hard estimates) and their repercussions for bilateral trade in goods and services.

#### Oswald ‘18

. Oswald, Omar. May 2018. “Free Trade Agreements as BRI’s Stepping-Stone to Multilateralism: Is the Sino–Swiss FTA the Gold Standard?” Research Gate. https://www.researchgate.net/publication/325341816\_Free\_Trade\_Agreements\_as\_BRI's\_Stepping-Stone\_to\_Multilateralism\_Is\_the\_Sino-Swiss\_FTA\_the\_Gold\_Standard

Casas and Serrano propose that China’s Free Trade Agreements (FTA) are part of a long-term multilateral approach with the potential to be included in the institutional infrastructure of the Belt and Road Initiative (BRI). By developing a BRI Initiatives Dynamic Evaluation Framework, they emphasize that initiatives under the BRI will be subject to decision and evaluation mechanisms that transcend China proper. This means that FTAs are dynamic rather than static. The key element in this iteration is the FTA upgrade, which includes trade impact analyses, business agent surveys, utilization rates, and signaling effects. The Sino–Swiss FTA is evaluated as part of this long-term strategy of upgrading bilateral relationships into a comprehensive system that relies on institutional outsourcing of the upward kind from nations with deep institution-building experience.

### 3 – Tourism

#### Luty ‘19

Luty, Jennifer. Mar 28 2019. “Travel and Tourism in Europe – Statistics and Facts.” Statista. https://www.statista.com/topics/3848/travel-and-tourism-in-europe/

Travel and tourism activities define a major industry in Europe. As a worldwide [leader in international tourism](https://www.statista.com/statistics/186743/international-tourist-arrivals-worldwide-by-region-since-2005/), Europe plays a vital role in the [economic impact of the global travel industry](https://www.statista.com/statistics/311945/travel-and-tourism-direct-contribution-to-gdp-worldwide-by-region/). For the European economy alone, [travel and tourism directly contributed](https://www.statista.com/statistics/617504/direct-travel-and-tourism-gdp-contribution-europe/) an estimated 782 billion euros to GDP in 2018 and 14.4 million jobs through [direct employment in the sector.](https://www.statista.com/statistics/617395/travel-and-tourism-contribution-to-europe-employment-by-type/)

#### Li ‘19

Li, Weida. Jan 20 2019. “Tourism between China and Belt and Road countries increases rapidly.” GB Times. https://gbtimes.com/tourism-between-china-and-belt-and-road-countries-increases-rapidly

The analysis attributed the rise to the relaxation of visa policies for Chinese tourists. Fourteen countries, including Belarus and Qatar, have signed visa exemption agreements with China over the past few years. Another reason behind the growth is the improvement of transportation. China now has direct flights to 43 countries along the route, and sends approximately 4,500 planes to BRI nations per week. The book also forecasts that at least 85m return trips will be made between now and 2020 - a figure that will bring in US$110bn in tourist revenue.

#### Belt and Road News ‘19

Belt and Road News. Jan 11 2019. “Tourism between China and Belt and Road countries increases rapidly.” <https://www.beltandroad.news/2019/01/11/tourism-between-china-and-belt-and-road-countries-increases-rapidly/>

Tourism exchanges have been increasing thanks to enhanced cooperation between China and countries participating in the Belt and Road Initiative, according to the latest green book on tourism released on Friday. China has become a major driving force for tourism in countries involved in the BRI in recent years, said the green book-“China’s Tourism Development: Analysis and Forecast (2018-2019)”, published by the Tourism Research Center of the Chinese Academy of Social Sciences. The number of trips made by Chinese tourists to those countries grew from about 15.5 million in 2013 to more than 27 million in 2017, a 77 percent jump over the past five years, it said. Meanwhile, China recorded 10.6 million trips made by tourists from countries involved in the BRI to China in 2017, compared with 9 million in 2013. Of the total inbound tourism revenue China received in 2017-$123.4 billion-those countries contributed 16.9 percent.The green book attributed the rise in tourism exchanges partly to the relaxation of visa policies for Chinese tourists. Thirteen countries, including Brunei and Azerbaijan, have adopted visa-on-arrival or visa-free policies for Chinese tourists. It is also partly because of the bilateral cultural and tourism cooperation that’s been established between China and those countries over the past five years, according to the report.

#### Long and Xu ‘17

Long, Mingui and Xu, Qiuju. “The Research on Enhancing the Competitiveness of Tourism Industry in Hubei Province under the Background of One Belt and One Road.” Atlantis Press. file:///Users/kendallcarll/Downloads/25876518.pdf

Tourism Plays an Important Role in Deepening Connection to People Among the Countries Along the “One Belt and One Road” Line. The connection to people is the social foundation of “One Belt and One Road” construction. Tourism cooperation will not only enable both sides to get to know each other better and eliminate prejudice and misunderstanding, but also bring a large number of people, logistics, information flow and capital flow. In 2015, National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce jointly issued the Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road, the file clearly put forward that we should strength the tourism cooperation, expand the scale of tourism and host the tourism promotion week, awareness month and other activities. Launch the international boutique tourist routes and tourism products with the characteristics of Silk Road jointly, improve tourist visa facilitation level among countries along the route, and promote the 21st-Century Maritime Silk Road cruise tourism cooperation; We need to promote border trade, tourism and cultural cooperation among Tibet and Nepal and other countries; We should increase the development and opening of Hainan international tourism island. According to the National Tourism Administration, during the “13th Five-Year” period, China will transport 150 million tourists to countries along the “One Belt and One Road” line, and $200 billion will be consumed. At the same time, we will also attract 85 million tourists from these countries, and stimulate tourism consumption of about $110 billion.

#### Ijaz ‘18

Ijaz, Muhammad. Aug 14 2018. “Belt and road Initiative: Tapping Tourism.” China Daily. http://www.chinadaily.com.cn/a/201808/14/WS5b728ca7a310add14f385b59.html

Tourism industry contributes a major part in GDP and economic growth of many countries. The Belt and Road Initiative can be a great way to promote tourism in the countries along the Silk Road. Peace and protection are the two compulsory conditions needed for growth of tourism in any country. Certain mechanisms can be taken to benefit the tourism sector from the initiative. All the Belt and Road countries need to join hands and work together for the establishment of tourist friendly policies to attract more tourists to their countries. The facts and figures of tourism in China shown above are for the year 2017, indicating that the number of tourists coming to China after Belt and Road initiative is increasing every year. The initiative will further boost tourism and growth of economy of China in upcoming years. Likewise, the mesmerizing and stunning spots in the Belt and Road countries need to be explored as well. The Belt and Road will play a vital role to drive the development of tourism in countries along the Silk Road. All of the Belt and Road countries have different cultural values and beautiful scenery to visit. There is a need to discover and explore the hidden beauty and fascinating nature of the countries along the Silk Road. Moreover, cultural exchange programs can be initiated among Belt and Road countries which in turn will let the people from different backgrounds to come closer and share their cultures. Following an improvement in the security situation, tourism in Pakistan has increased by 300 percent over the past few years. According to a recent report, 1.75 million tourists visited Pakistan in 2017 alone. Statistics from the Pakistan Tourism Development Corporation showed that 30 percent travelers were domestic. According to the World Travel and Tourism Council (WTTC) last year, revenue from tourism contributed around $19.4 billion to Pakistan's economy and made up 6.9 percent of gross domestic product. The WTTC expects that amount to rise to $36.1 billion within a decade.

#### Popova ‘19

Popova, Nadejda. Jan 3 2019. “Centrals Asia’s New Silk Road Offers Vast Tourism Potential.” Skift. https://skift.com/2019/01/03/central-asias-new-silk-road-offers-vast-tourism-potential/

With a focus on infrastructure developments as part of the overall BRI project in Central Asia, the tourism appeal is expected to improve in the region and in turn boost tourism flows and diversify away from traditional source markets. China is expected to become the biggest market in terms of outbound departures by 2030 globally, with 256 million trips, according to Euromonitor International. The country is targeting more destinations along the [Silk Road](https://www.bloomberg.com/news/articles/2018-10-24/how-to-travel-the-new-800-billion-silk-road), under the Belt and Road Initiative. With deeper international trading partnerships established by the Chinese government, less established destinations, such as Uzbekistan, Azerbaijan and Kazakhstan, among others, can attract more Chinese travelers if the right tourism infrastructure and products are developed for the right consumer preferences. In particular, increased hotel room supply, working with Chinese online travel agencies, tour operators and agents, heavy online advertising, including social media outlets such as WeChat to appeal to millennials and digital-savvy consumers, providing destination information in Mandarin, introducing Chinese payments options, boost accessibility and connectivity, among others.

### Recession Impact

#### UNICEF ’12 (2008 Recession Empiric)

February 2012, https://www.unicef.org/socialpolicy/files/Recovery\_with\_a\_Human\_Face\_Summary.pdf

In reality, fiscal stimuli amounts paled in comparison to the elephantine size of funds that were devoted to bailing out the financial sector. While estimates vary widely, the IMF suggests that bank bailouts amounted to over US$9 trillion in the G20 alone, and this does not include the large bailouts in Spain, Ireland, Greece and other non-G20 countries. This should be contrasted to the approximately US$2.4 trillion of announced fiscal stimuli by governments, to the US$1 trillion called by the G20 to solve the global economic crisis or to the total global overseas development assistance (ODA) distributed to developing countries in 2008, which amounted to a meager US$0.1 trillion. During 2009, the effects of the food, fuel and financial crises were increasingly felt by the poor in developing countries. In terms of declining household income, the number of unemployed persons jumped by 30 million to 210 million worldwide in less than two years (Torres, 13 Espey and Garde14). In terms of increasing hunger and malnutrition, UNICEF and FAO raised the alarm that persistently high food prices were likely causing irreversible damage to poor children and their families. And in terms of overall poverty rates, the World Bank estimated that on top of the millions already pushed into poverty in 2008-09, an additional 64 million people were likely to fall into extreme poverty during 2010.15 The Asian Development Bank (ADB) showed the first impacts of this “triple F” crisis on poverty and sustainable development in Asia (Bauer),16 also identified by Mehrotra.17 Unfortunately, the adverse human impacts of the global economic crisis were only just beginning to gain momentum.

#### Roubini ‘18

Roubini, Nouriel. Oct 15 2018. Financial Review. “Ten reasons why the world economy will crash by 2020.” https://www.afr.com/markets/ten-reasons-why-the-world-economy-will-crash-by-2020-20181015-h16n3c

The current global expansion will likely continue into next year, given that the US is running large fiscal deficits, China is pursuing loose fiscal and credit policies, and Europe remains on a recovery path. But by 2020, the conditions will be ripe for a financial crisis, followed by a global recession.

#### Talal ‘19

Abu-Ghazaleh, Talal. Aug 1 2019. Jordan Times. “Prepare before time runs out for the 2020 economic crisis.” http://www.jordantimes.com/opinion/talal-abu-ghazaleh/prepare-time-runs-out-2020-global-economic-crisis

I have been sounding the alarm of a major economic crisis that may hit globally by the year 2020. Contrary to some expert analyses, I have good reason to believe that the new crisis is going to be much more devastating than the 2008 one, which was described by Ben Bernanke, the chair of the Federal Reserve (Fed) at the time, as “the worst financial crisis in global history”. The new economic crisis is expected to continue for years and will have a major impact on the West, causing stagflation and leading to bankruptcies. However, emerging countries such as China and India are expected to flourish. The world has managed to contain the 2008 financial crisis, but what is much more serious is the economic crisis that is coming. The second reason Roubini cites is what he calls “trade frictions” between China, Europe and NAFTA countries, which he says “will increase if they fall short of a full-scale trade war” and he goes on to add that “these frictions are just symptoms of the much deeper rivalry to determine global leadership on the technologies of the future, but their effects will be to slow growth and increase inflation”.European trade tensions and political unrest will be another cause of the imminent crisis.

#### Ravallion and Chen ‘09

Raviallion, Marting. Chen, Shaohua. April 30 2009. CEPR Policy Portal. :The impact of the global financial crisis on the world’s poorest.” https://voxeu.org/article/impact-global-financial-crisis-world-s-poorest

Applying the country-specific growth projections to our survey-based data and aggregating, we calculate that the crisis will add 53 million people to the 2009 count of the number of people living below $1.25 a day and 64 million to the count of the number of people living under $2 a day. Given current growth projections for 2010, there will be a further impact on poverty in that year, with the cumulative impacts rising to an extra 73 million people living under $1.25 a day and 91 million more under $2 a day by 2010. (155 M under $2 in total) Given current growth projections, the aggregate poverty rate is still expected to fall over time, albeit at a slower pace. The same (post-crisis) growth projections imply that the aggregate $1.25 a day poverty rate will fall from 21% in the “pre-crisis” year of 2008 to 18% (1040 million people) in 2009; the pre-crisis growth rate for 2009 would have instead brought the poverty rate down to 17% (987 million). Using the $2 a day line, the poverty rate falls from 42% in 2008 to 39% (2,232 million) in 2009 under the lower expected growth rate, while the pre-crisis trajectory would have brought the poverty rate down to 38% (2,169 million).

#### Rooney ‘12

. Rooney, Ben. May 24 2012. CNN Money. “Euro leaders fall short (again!) as crisis spirals.” https://money.cnn.com/2012/05/24/investing/eu-political-dysfunction/index.htm

European politicians are facing renewed criticism for being slow to respond as the debt crisis in the eurozone has taken a turn for the worse. The latest informal gathering of European Union leaders ran into the early hours Thursday morning, but it failed to produce any new solutions to the region's most pressing problems. While the leaders promised to come up with more concrete proposals at their next summit in June, some investors fear that policy makers are falling behind the curve. "Most worrying is the slow pace of action from policy makers," said Michala Marcussen, an economist at Societe Generale, in a note to clients. "This reinforces the sense of déjà-vu from 2011, already visible in financial markets." One of the biggest drivers of the turmoil in financial markets late last year was a sense among investors that EU officials were unwilling or unable to agree on a common policy response to the crisis.

(Says that European politicians are empirically slow to responding to financial problems)

#### European Commission ‘09

Economic Crisis in Europe: Causes, Consequences, and Responses. July of 2009. https://ec.europa.eu/economy\_finance/publications/pages/publication15887\_en.pdf

Preparing exit strategies now, not only for fiscal stimulus, but also for government support for the financial sector and hard-hit industries, will enhance the effectiveness of these measures in the short term, as this depends upon clarity regarding the pace with which such measures will be withdrawn. Since financial markets, businesses and consumers are forward-looking, expectations are factored into decision making today. The precise timing of exit strategies will depend on the strength of the recovery, the exposure of Member States to the crisis and prevailing internal and external imbalances. Part of the fiscal stimulus stemming from the EERP will taper off in 2011, but needs to be followed up by sizeable fiscal consolidation in following years to reverse the unsustainable debt build-up. In the financial sector, government guarantees and holdings in financial institutions will need to be gradually unwound as the private sector gains strength, while carefully balancing financial stability with competitiveness considerations. Close coordination will be important. ‘Vertical’ coordination between the various strands of economic policy (fiscal, structural, financial) will ensure that the withdrawal of government measures is properly sequenced -- an important consideration as turning points may differ across policy areas. ‘Horizontal’ coordination between Member States will help them to avoid or manage cross-border economic spillover effects, to benefit from shared learning and to leverage relationships with the outside world. Moreover, within the euro area, close coordination will ensure that Member States’ growth trajectories do not diverge as the economy recovers. Addressing the underlying causes of diverging competitiveness must be an integral part of any exit strategy. The exit strategy should also ensure that Europe maintains its place at the frontier of the low-carbon revolution by investing in renewable energies, low carbon technologies and "green" infrastructure. The aim of this study is to provide the analytical underpinning of such a coordinated exit strategy

(says that timing is key) We can start to form this narrative of sooner rather than later. Joining the BRI is essentially a preemptive stimulus package and we would say that is better than relying on politicians to make retroactive decisions because its too late, they have alt motives, etc.

Structural reforms should be directed to enhancing the economy's infrastructure capital, employing idle or underutilised labour resources and improving the use and development of new technologies. This requires government initiatives in the pursuit of investment in infrastructure (public or private), the development of skills, greater labour mobility (geographical or across industries and occupations) and innovation (including the development of low-carbon technologies). Now that the financial system takes a more conservative attitude to risk financing even allowing for recovery in the banking sector, the expected social rate of return on such investments easily exceeds their perceived private return. This suggests that government initiative has a key role to play. Meanwhile, it is important that those fiscal measures that provide demand stimulus while doing little to support potential output, be withdrawn with priority.

(says that infra was integral in the 2008 recovery)

#### Amadeo ‘19

Amadeo, Kimberly. Feb 15 2019. “Could the Financial Crisis have been avoided?” The Balance. https://www.thebalance.com/were-mortgage-crisis-and-bank-bailout-preventable-3305676

The [Federal Reserve](https://www.thebalance.com/the-federal-reserve-system-and-its-function-3306001) and the [Bush administration](https://www.thebalance.com/bush-administration-economic-policies-3305556) could have prevented the [2008 financial crisis](https://www.thebalance.com/2008-financial-crisis-3305679). But they ignored the early warning signs. In November 2006, the first [leading indicator](https://www.thebalance.com/leading-economic-indicators-definition-list-of-top-5-3305862) revealed trouble. The [Commerce Department](https://www.thebalance.com/u-s-department-of-commerce-3306000) reported that new home permits dropped 28% in a year. That meant new home sales would slump for the next nine months. But no one could believe that housing prices would fall. It hadn't happened since the [Great Depression](https://www.thebalance.com/the-great-depression-of-1929-3306033). The [Federal Reserve Board](https://www.thebalance.com/what-is-the-federal-reserve-board-3305527) remained optimistic. In the November [Beige Book](https://www.thebalance.com/beige-book-definition-of-federal-reserve-report-3305816) report, the Fed said the economy was strong enough to pull housing out of its slump. It pointed to strong employment, low [inflation](https://www.thebalance.com/what-is-inflation-how-it-s-measured-and-managed-3306170), and increasing consumer spending. In 2006, the Fed ignored the second clear sign of economic distress. That was the [inverted yield curve](https://www.thebalance.com/inverted-yield-curve-3305856) for U.S. Treasurys. An inverted [yield curve](https://www.thebalance.com/treasury-yield-curve-3305902) happens when short-term [Treasury note](https://www.thebalance.com/what-are-treasury-bills-notes-and-bonds-3305609) yields are higher than long-term yields. Regular short-term yields are lower. Investors need a higher return for tying up their money for longer. But they will invest in a long-term bond for protection from a downturn. The yield curve had also inverted before the [recessions](https://www.thebalance.com/what-is-a-recession-3306019) of 2001, 1991, and 1981.(Looking rn for Europe Specific evidence) Ortiz is Eurozone specific

#### Ortiz ‘12

Ortiz, Guillermo. January 2012. What can the Developed World Learn from American Debt and Mecixan Peso Crisis?” Springer Link. https://link.springer.com/article/10.1057/be.2011.30

Let's turn to the situation in Europe. In the weeks prior to presenting this paper (September 11, 2011), capital markets plummeted while uncertainty continued to grow, as shown in [Figure 2](https://link.springer.com/article/10.1057/be.2011.30#Fig2). Yet the European fiscal crisis has been a serious source of concern for almost two years now. The initial causes of the fiscal crisis were narrowly focused on the issue of funding pressures for some countries, particularly Greece. However, contagion to other countries in the periphery spread swiftly, and more recently began to contaminate even core countries due to links between the sovereign debt crisis and the banking sector of the region. Actions taken by European politicians and the European Central Bank (ECB) seem to belong more to the realm of political economy than the crisis-solving manual. In other words, the European political system has turned a manageable economic situation into a nearly unmanageable political problem.

#### World Bank/Alexander ’10

Douglas Alexander, 27 January 2010, Global Policy Volume, <https://onlinelibrary.wiley.com/doi/full/10.1111/j.1758-5899.2009.00018.x>

This collapse in economic activity – from investment to trade and remittances – has turned the financial crisis into a social crisis. For the poorest people in the least developed countries, this comes shortly after the rise in food prices in 2008 that is estimated to have pushed between 130 and 155 million people into poverty ([World Bank, 2008](https://onlinelibrary.wiley.com/doi/full/10.1111/j.1758-5899.2009.00018.x#b13)). The United Nations has estimated that the worldwide recession has pushed 100 million more people below the poverty line ([UN, 2009](https://onlinelibrary.wiley.com/doi/full/10.1111/j.1758-5899.2009.00018.x#b12)). That could set back progress towards meeting the first of the Millennium Development Goals – to halve extreme poverty – by up to three years ([Alexander, 2008](https://onlinelibrary.wiley.com/doi/full/10.1111/j.1758-5899.2009.00018.x#b1)).

#### Tufts University

The financial crisis that commenced in 2007 and its aftermath have been widely referred to as the “Great Recession”—and with good reason. From its beginning until its nadir in 2009, it was responsible for the destruction of nearly $20 trillion worth of financial assets owned by U.S. households. During this time, the U.S. unemployment rate rose from 4.7 percent to 10 percent (not counting the discouraged and marginally attached workers discussed in Chapter 7). By 2010, college graduates fortunate enough to find a job were, on average, earning 17.5 percent less than their counterparts before the crisis—and experts were predicting that such a decline in earnings would persist for more than a decade. **The crisis also spread beyond U.S. borders. As consumption and income declined in the United States, many countries experienced a significant reduction in exports as well as a decline in the investments that they held in the United States. As a result, global GDP declined by 2 percent in 2009. It has been estimated that between 50 million and 100 million people around the world either fell into, or were prevented from escaping, extreme poverty due to the crisis.** Why did this happen? Why were its effects so long-lasting? What lessons can be learned for the future? These are complicated questions to which this chapter provides some answers.

#### The Borgen Project ’13

<https://borgenproject.org/imf-study-shows-possible-consequences-of-economic-recession/>

The International Monetary Fund (IMF) released the results of a new study, showing that another global economic recession could throw nearly 900 million people back into poverty. Although global poverty within the last decade has improved, over 1.2 billion people worldwide still live on $1.25 a day, and the IMF warns that the global economy that initially brought millions out of poverty is still extremely unsteady and in risk of failing. The report cites global unemployment numbers, which are at a 20-year high, that shows unemployment around the world is now at 40 percent.

### EU Collapse Impact

#### Horowitz ‘19

Julia Horowitz, 18 July 2019, <https://www.cnn.com/2019/07/18/business/europe-economy-lost-decade/index.html>

Europe just endured one decade of economic stagnation. If it doesn't act soon, it could face another. Ten years after the global financial crisis, Europe's economy has achieved a recovery, but not a revival. [Low inflation](https://edition.cnn.com/2019/06/06/business/ecb-president-mario-draghi/index.html), low interest rates and [low growth](https://edition.cnn.com/2019/01/15/business/germany-economy-slowdown/index.html) have become the new normal. Europe's malaise could have dangerous ripple effects. Another [wasted decade](https://money.cnn.com/2018/08/20/news/economy/greece-bailout-exit/index.html) would deepen the growing divide between urban and rural Europe, deprive more young people of work and feed [political instability](https://edition.cnn.com/2019/05/12/europe/europes-populist-nightmare-analysis-intl-gbr/index.html). Carsten Brzeski, chief economist in Germany at the Dutch bank ING, thinks it could even cause the bloc of 19 countries that use the euro to [break apart](https://edition.cnn.com/2019/01/10/opinions/the-euro-at-20-dont-count-on-the-half-reformed-eurozone/index.html).

#### Monot

NF Chief Economist, https://www.news.com.au/finance/economy/world-economy/marine-le-pens-promise-to-pull-france-out-of-eurozone-could-lead-to-months-of-economic-volatility/news-story/43365f8074cccf18012a5987b3c3d2d8 .
He confirmed European leaders were aware of plans and “all capable of understanding that if France leaves the eurozone and the European Union then there is no more euro and no more European Union,” [he said](http://www.thetimes.co.uk/?sunday). “It’s unlikely that it will happen but it doesn’t mean investors won’t worry about it and therefore you’ll see the volatility in sharemarkets,” he said “France and Germany are core members of the euro, there would almost certainly be a referendum [on French membership].” “We’d be affected by economic uncertainly that would come. Say Le Pen wins, there would be rising probability that the eurozone would break up, that would create significant economic turmoil across Europe and I suspect some countries would be placed into recession if they faced much higher borrowing costs.” “Business investment would stall, consumers would lose confidence. This is the problem with eurozone countries leaving the eurozone, the cost of divorce would be massive.”

#### Ross ‘18

Oct 9 2018. https://www.investopedia.com/articles/markets/080816/heres-what-will-happen-if-euro-fails.asp

To the extent that import quotas or tariffs are implemented by various member nations, and to the extent that those measures are reciprocated elsewhere, there would be a corresponding decline in international trade and economic growth. A collapse of the euro would affect more countries than those in Europe although in uncertain ways. Other regions, particularly major trading partners in North America and Asia, would face financial and possibly political consequences.

In the short term, markets would likely react negatively to added uncertainty. The EU is a known commodity, even if imperfect, and markets like predictability.

#### Buiter ‘11

Dec 7 2011. https://www.ft.com/content/6cf8ce18-2042-11e1-9878-00144feabdc0
A full or comprehensive break-up, with the euro area splintering into a Greater Deutschmark zone and about 10 national currencies would create pandemonium.

Exit, partial or full, would likely be precipitated by disorderly sovereign defaults in the fiscally and competitively weak member states, whose currencies would weaken dramatically and whose banks would fail. If Spain and Italy were to exit, there would be a collapse of systemically important financial institutions throughout the European Union and North America and years of global depression.

# FRONTLINES

### F/L No Recession

Sherman ‘19

Sherman, Erik. June 4 2019. “A Majority of Economists Think the Next Recession Will Come by the 2020 Election.” Fortune. https://fortune.com/2019/06/04/next-recession-2020-predictions/

According to the organization’s latest survey of 53 professional economic forecasters, the consensus is that the economy will continue to grow at a 2.6% pace in 2019, down from last year’s 2.8% rate, and will slow to 2.1% in 2020. However, as the outlook for this year still seems good, a majority think a recession is possible before the next presidential inauguration. More than half of the panel said “the greatest downside risk is trade policy and increased protectionism,” Kleinhenz said. The thorny issue is a major driver of the possibility that growth could collapse by the end of next year. Right now, only 15% of the participants expect a recession in 2019. But by the end of 2020, the number rises to 60%. Because the November election is in the last quarter, if the majority of predictions are right, a recession would begin by then.

Graham ‘18

Graham, Vanbergen. Dec 1 2018. “The Predicted 2020 Global Recession.” World Financial Review. https://www.worldfinancialreview.com/the-predicted-2020-global-recession/

The predictions are now coming in thick and fast. It appears that there is a foregone conclusion that 2020 is the date that crash 2.0 will wreak havoc once again.The Independent: “Next global financial crisis will strike in 2020, warns investment bank JPMorgan – sparked by automated trading systems.”1 Forbes: “2020s Might Be The Worst Decade In U.S. History – triggered by contagion from a global credit crisis.”2 Mark Zandi, chief economist at Moody’s Analytics, said that “2020 is a real inflection point.” Roubini predicts that the current global expansion will likely continue into next year, but warns that the conditions will be ripe for a global recession in 2020. He makes the point that global stimulus packages are coming to an end, that inflation is coming, that trade disputes will create a drag on economies and that interest rates are now on an upward trajectory. He is of course right on all points.

Zillow ‘19

Zillow Research. July 25 2019. “Why the Next Recession Is Likely to Happen in 2020, and What It Will Mean for Housing.” Yahoo Finance. https://finance.yahoo.com/news/why-next-recession-likely-happen-080130857.html

Exactly half of a panel of more than 100 real estate and economic experts said they expect the next recession to begin in 2020, with another third (35%) predicting the next recession to begin in 2021. Trade policy, a geopolitical crisis and/or a stock market correction were the factors identified by panelists as most likely to trigger the next recession. A housing slowdown is unlikely to cause the next recession, according to the panel, but home buying demand is expected to fall next year.

### F/L Dumping

1) Free Trade is on net still beneficial as EU exports would still increase by 110% and 93 billion dollars would be added to the EU economy – this accounts for the effects of dumping. Plus, at most dumping effects one or two industries in Europe.

2) When the EU joins the BRI, it puts them on good terms with China – China won’t want to hurt that alliance by allowing their companies to dump cheap materials into European markets.

3) Any empirics of this happening in any of the BRI nations?

Kendall what even is this card

Davis ‘14

Davis, Lucy. “Ten years of anti-dumping in the EU: economic and political targeting.” ECIPE. https://ecipe.org/wp-content/uploads/2014/12/ten-years-of-anti-dumping-in-the-eu-economic-and-political-targeting.pdf

Anti-dumping is at the heart of EU trade policy. Its use is justified on the grounds of eliminating injurious dumping by foreign firms and re-establishing conditions of ‘fair’ trade. Use of anti-dumping has been rising globally, generating concerns about the potential for protectionist abuse of this trade defence instrument. Most economists are of the opinion that anti-dumping has little to do with ‘unfair’ trade. In general, suspicions are high that domestic industries are turning to anti-dumping as a form of protectionism, and that the EU’s current anti-dumping laws support their efforts. This paper takes an in-depth look at the past ten years of anti-dumping usage in the EU. The analysis draws on information from the 332 anti-dumping cases initiated between 1998 and 31 December 2008. Five empirical tendencies have been identified: 1. The main targets of investigations and measures are exporters in emerging markets, particularly in Asia – a growing source of global competition; 2. Targeted products are concentrated in sectors where European comparative advantage is declining, i.e. raw materials, industrial input goods and textiles; 3. Dumping margins reflect this pattern, being particularly high in the chemicals and steel sectors; 4. Duty levels are significantly higher than bound tariffs, particularly in the higher-end technology sector. 5. Once an anti-dumping investigation has been initiated, definitive measures are the most likely outcome.

### F/L Investment Reciprocity Happening in Status Quo

**Bradsher ’19** finds that China never actually implements the broad stroke reforms my opponents talk about. Chinese officials have said for years that they were ready to allow foreign competitors to enter their market on a more equal footing, with slow progress. Joining a program built on facilitating free trade is the only way to bypass these barriers, status quo won’t solve – action must be taken.

Bradsher ’19, Bradsher, Keith. March 24 2019. “China Pledges Openness in Hopes of Reaching a Deal”. New York Times. https://www.nytimes.com/2019/03/24/business/china-trade-xi.html

The promises of economic opening may sound familiar. Chinese officials have said for years that they were ready to allow foreign competitors to enter their market on a more equal footing, with slow progress. The promises made over the weekend in many cases repeated pledges that have been made before, such as to open the country’s financial sector more widely to foreign investment.

### F/L Chinese Build Infrastructure not Europeans

1) Xi is shifting to allow more countries to get involved.

Dasgupta ’19, Saibal Dasgupta, 26 April 2019, VOA News, <https://www.voanews.com/east-asia-pacific/xi-signals-change-belt-and-road-initiative-amid-criticism>

Unlike his past speeches at the forum in 2017 and in several international gatherings, Xi did not lay out a global vision of what the Belt and Road plan can do to connect countries and continents. Instead, he concentrated on answering criticism about corruption and the dominance of Chinese companies in BRI projects. Xi invited foreign and private sector partners to contribute funding to China-backed infrastructure projects. That is different from his earlier offers to provide financing for projects from Chinese banks and agencies. "Xi Jinping is trying to deliver a readjusted BRI, providing more opportunities for non-Chinese companies to participate, delivering greener and better quality projects, being more attentive to their local economy with a humane impact as well as to the recipient country's debt sustainability," said Jean-Pierre Cabestan, professor at the Department of Government and International Studies at Hong Kong Baptist University. Shedding control It does not serve China's geopolitical ambitions if the BRI is not accepted by the Western world. In a statement Friday, the U.S. embassy in Beijing said, "We continue to have serious concerns that China's infrastructure diplomacy activities ignore or weaken international standards and best practices related to development, labor protections, and environmental protection." At the forum Friday, British Finance Minister Philip Hammond said the BRI must work for everyone for it to turn into a sustainable reality. He offered British expertise in project financing. Officials from Germany, France, Australia and Japan have also said they would like to see more opportunities for foreign companies in BRI projects. The Chinese president has now given a clear indication that he is ready to recalibrate the project parameters even if it means losing control over many aspects of the program. There are signs China had "backroom" talks with several institutions before Xi spelled out the changes he wanted to make in the Belt and Road program. International Monetary Fund Managing Director Christine Lagarde said at the forum that the BRI could "benefit from increased transparency, open procurement with competitive bidding and better risk assessment in project selection."

2) It’s less about construction jobs but fixing a road from point A to B allows more people to use that road to access jobs and for goods to be transported more efficiently.

### F/L Germany is Spending on Infrastructure

1) Germany is too slow when approving infrastructure and actually making the spending happen. The BRI is the best way to ensure that we get more spending and infrastructure moves forward effectively.

Amaro ’19, Silvia Amaro, CNBC, <https://www.cnbc.com/2019/08/09/germany-amid-recession-fears-it-considers-higher-spending.html>

The German government is reportedly looking at ways to increase its spending, but analysts are not expecting a fundamental change in a country where a balanced budget has become somewhat of a tradition. Berlin is considering financing part of its climate protection program with new debt, Reuters reported on Thursday, as part of its policy to help Germany meet its reduction goals for greenhouse gas emissions. This comes as the German government’s borrowing costs have hit new lows and some experts predict a recession is on the horizon. “It is an interesting issue and shows that something is moving. However, in a very German way: very slowly,” Carsten Breszki, chief economist at ING Germany, told CNBC via email about the government’s plans. “Reactions from several parties and politicians showed that this debate on letting go of fiscal surpluses and using negative interest rates to actually invest in the future has only just started and is far from being solved,” he added. A balanced budget — one where revenues match or outweigh expenditure — and price stability is a key part of the German psyche who have the memory of hyperinflation in the Weimar Republic in the 1930s.

Petroff ’17, Petroff, Alanna. Sept 22 2017. “The German economy has a weak link: infrastructure.” CNN Business. https://money.cnn.com/2017/09/22/news/economy/germany-infrastructure-investment-spending/index.html

More spending by the German government -- on infrastructure, for example -- would help boost the economy and spur business spending. The windfall would encourage German consumers to spend more on foreign services and imported goods, ultimately reducing the country's trade surplus. "Government investment is a good way to stimulate demand," said Stephen Brown, an economist at Capital Economics. "[Germany is] not recognizing that there could be a link ... between public sector and private sector investment." Yet the German government -- which wants to avoid a budget deficit -- is reluctant to increase spending too much. The German government invested just over €66 billion ($79 billion) in 2016 on things like roads, child care facilities, energy efficient buildings and public transportation, according to data from the country's finance ministry. To put that in perspective, experts believe Russia spent about [$50 billion](http://money.cnn.com/2014/01/16/news/most-expensive-olympics/index.html?iid=EL) on the Sochi Olympics alone. Investment has increased by an average of 4.5% over the past two years, but infrastructure spending as a share of the economy (2.1%) remains much lower than other wealthy Western countries including the U.S., Britain, France, Canada and Sweden. "Germans will be skeptical of infrastructure investment for the sake of infrastructure investment. They want to see what the point is," said Charles Lichfield, an analyst at Eurasia Group.

Kuper ’17, Kuper, Simon. August 30 2017. “A guide to understanding the German election.” Financial Times. https://www.ft.com/content/9976ab86-8d0b-11e7-a352-e46f43c5825d

Schwarze Null (literally, black zero) refers to the German government’s policy of aiming for a budget that’s either balanced (zero) or in the black. After 44 years of deficits, the state has scored three black zeros in a row since 2014. This is a source of pride in Germany and of chagrin in other European countries, which want Germany to be their economic locomotive. German scorn for foreign debtors is captured in the tabloid phrase Pleite-Griechen (literally, broke Greeks). Always remem2 mo0ber that the German word Schuld means both debt and guilt.

### F/L Juncker Plan Help Germany

The Juncker Plan is a failure. Its not addressing problems and when it builds infrastructure which is why most of it doesn’t do anything. In Germany specifically, they have only invested around 7 billion euros and nothing has been developed in terms of manufacturing infrastructure.

Martin ’16, Martin, Will. Nov 21 2016. “Europe’s €630 billion investment plan is failing to find its feet.” Business Insider. https://www.businessinsider.com/hsbc-research-europe-investment-juncker-plan-2016-11

The Juncker Plan, the €630 billion (£543 billion, $670 billion) investment scheme from the European Commission, is failing to get off the ground, according to new research from analysts at HSBC.Writing in a note circulated to clients on Monday, European Economist Fabio Balboni argues that while the so-called Investment Plan for Europe has so far approved around €140 billion of loans, it has failed to help address the need for big infrastructure projects across the continent. Furthermore, it has not actually driven a boom in investments in the last couple of years.As yet though, Balboni argues, the fund has failed to actually encourage investors to put new capital into projects, and there is no correlation between increased investment in eurozone countries and the Juncker Plan

Mitchell ’16, Mitchell, Bill. April 25 2016. http://bilbo.economicoutlook.net/blog/?p=33409

 It is no surprise that he was termed “the most dangerous man in Europe” by the British press on June 4, 2014 ([Source](http://www.thesun.co.uk/sol/homepage/news/politics/5669620/Six-reasons-why-Juncker-is-the-most-dangerous-man-in-Europe.html)). They noted that he was a “ruthless opportunist” who “admits lying and backs ‘secret’ debate on European finances”. He was previously forced out of his position as Prime Minister of Luxembourg in 2013 as a result of his ‘political responsibility’ for illegal spying by that nation’s secret police on individuals, including rival politicians among other sins. This is the man that is now in charge of the dysfunctional European Commission. When he was eleted to the European Commission Presidency, his main strategic initiative, which was promoted with much fanfare was the so-called €300 billion investment offensive. It was adopted in November 2014 and was accompanied with other plans to fix the banking system and improve productivity growth. The plan has been an abysmal failure like most of the initiatives that come from the neo-liberal Groupthink machine known as the European Commission.

European Commission ‘19

European Commission. July 2019. “Investment Plan: Germany.” [Https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/investment-plan-results/investment-plan-germany\_en](https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/investment-plan-results/investment-plan-germany_en)

Total financing under the European Fund for Strategic Investments (EFSI) in Germany amounts to €7.1 billion.

Brain cancer treatment: MAGFORCE A €35 million loan is supporting German medical device company MagForce to develop a new approach to treating the most aggressive type of brain cancer, glioblastoma. Its therapy makes it possible to combat the tumour from within, while sparing surrounding healthy tissue. Patients are already being treated successfully in Germany, and the financing is enabling MagForce to offer the treatment in more countries, with rollout in Poland already achieved. Smart thermostats: TADO Tado is a Munich-based company which has created a smart thermostat system that adjusts according to the presence and movement of the inhabitants. With the help of a €20 million Juncker Plan-backed loan, Tado is investing in research and development to expand its range of products and services and reach a wider market. In Europe, heating and cooling buildings accounts for half of total EU energy demand. When buildings are intelligently heated and cooled, energy consumption is drastically reduced. Solar-powered batteries: SONNEN Sonnen has created the sonnenBatterie, a lithium-based system that enables the storage of self-generated solar power for later use or selling the surplus to the grid. The company has also created an interconnected energy community where members can share their energy with each other. Sonnen needed a financial injection to start up the company and found getting a loan very difficult. It managed to secure equity investment from SET Ventures, a fund backed by the Juncker Plan, and it is now working on new innovations. Medical research: EVOTEC Evotec is a drug discovery company which partners with leading pharmaceutical and biotechnology companies, academics and patient advocacy groups to develop innovative products and treatments. The EIB is providing €75 million under the Juncker Plan to invest in research and development of treatment for serious illnesses.

### F/L EU Connectivity Plan Help Germany

The EU Connectivity plan is building infrastructure like railroads and port to connect Asia with Europe. Germany’s problem is with internal infrastructure. EU Connectivity doesn’t fix that.

### F/L Germany Joins BRI on their own

\*\*Card says EU could veto foreign takeout of critical infra\*\*

GPA ’19, German Press Agency. March 3 2019. “Germany criticizes Italy on decision to join belt and road initiative.” Daily Sabah. https://www.dailysabah.com/europe/2019/03/24/germany-criticizes-italy-on-decision-to-join-chinas-belt-and-road-initiative

German Foreign Minister Heiko Maas has criticized Italy's decision over the weekend to join China's Belt and Road Initiative, while the EU's budget commissioner suggested the bloc could veto the foreign takeover of critical infrastructure in Europe. In a world dominated by major global powers like China, Russia and the United States, "we can only survive if we are united" as the European Union, Maas said in an interview published Sunday in the Welt am Sonntag newspaper. Maas warned that "China is not a liberal democracy." Countries that believe they can do "clever business with the Chinese will wonder when they suddenly wake up in dependency." Lucrative offers in the short term will soon leave a bitter aftertaste, he added.

Stanzel ‘19

Jan 17 2019. https://www.aicgs.org/publication/chinas-bri-and-europes-response/

The BRI has so far shown that perceptions on how infrastructure investment should be carried out are fundamentally different between China and the EU. Disagreements between Europeans and Beijing on the shape of future cooperation under the Silk Road framework had already become apparent when China hosted the first major BRI summit on May 14-15, 2017. Several states, particularly European countries including France, Germany, and Britain, declined to sign a final statement, uncomfortable about its omission of social and environmental sustainability as well as transparency. It is very likely that these differences will have only increased by the time China hosts the second BRI summit in April 2019. Xi Jinping announced during the Asia-Pacific Economic Cooperation (APEC) meeting in November that cooperation in frame of the BRI has entered a new phase of full implementation.[[7]](https://www.aicgs.org/publication/chinas-bri-and-europes-response/%22%20%5Cl%20%22_ftn7) Europeans will pay attention and observe what this new phase of implementation entails or whether this is another aspect of China’s BRI narrative.

Telesur ‘19

Telesur. April 27 2019. “German Minister: EU Nations Should Join Silk Road as Bloc.” Telesur. https://www.telesurenglish.net/news/German-Minister-EU-Nations-Should-Join-Silk-Road-as-Bloc--20190427-0011.html

Germany says EU nations shouldn't join Belt and Road alone, but as a united trade bloc. More than US$64 billion in deals signed during the Belt and Road summit. Germany's [Economy Minister Peter Altmaier](https://www.telesurenglish.net/news/UK-Demands-Brexit-Deal-Change-Irelands-Peace-at-Stake-20190130-0024.html) says that the major countries of the European Union (EU) should sign a Memorandum of Understanding (MoU) with China to participate in [the Belt and Road Initiative (BRI)](https://www.telesurenglish.net/news/One-Belt-One-Road-Chinas-Grand-Take-on-Economic-Globalization-20190425-0031.html) as a bloc, rather than individually. During this week's New Silk Road Forum held in Beijing, Altmaier urged EU countries to sign onto the China project as a trade bloc.

### F/L Schengan Visa

China is not one of the countries that are allowed easy entry through visa-free regime and access to the Schengen Visa. Only special administrative zones, like Hong Kong, are given that privilege within China. There is major room for improvement.

#### European Commission

Eu Commission. “Visa Policy.” <https://ec.europa.eu/home-affairs/what-we-do/policies/borders-and-visas/visa-policy_en>

Visa facilitation agreements

So far, the EU has concluded visa facilitation agreements with the following non-EU countries. Based on these agreements, both the EU and non-EU citizens benefit from facilitated procedures for issuing visas.

| Visa facilitation agreements | Entry into force |
| --- | --- |
| Albania | [Agreement between the European Community and the Republic of Albania on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A1219(05)&qid=1395933714988) | 01/01/2008 |
| Armenia | [Agreement between the European Union and the Republic of Armenia on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22013A1031(01)&qid=1395933742164) | 01/01/2014 |
| Azerbaijan | [Agreement between the European Union and the Republic of Azerbaijan on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22014A0430(02)&qid=1399887021732) | 01/09/2014 |
| Bosnia and Herzegovina | [Agreement between the European Community and Bosnia and Herzegovina on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A1219(06)&qid=1395933932709) | 01/01/2008 |
| Cape Verde | [Agreement between the European Union and the Republic of Cape Verde on facilitating the issue of short-stay visas to citizens of the Republic of Cape Verde and of the European Union](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22013A1024(01)&qid=1395934444989) | 1/12/2014 |
| FYROM | [Agreement between the European Community and the Former Yugoslav Republic of Macedonia on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A1219(08)&qid=1395934558523) | 01/01/2008 |
| Georgia | [Agreement between the European Union and Georgia on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22011A0225(02)&qid=1395934620569) | 01/03/2011 |
| Moldova | [Agreement between the European Union and the Republic of Moldova amending the Agreement between the European Community and the Republic of Moldova on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22013A0620(01)&qid=1395934646246) (amending the [Agreement between the European Community and the Republic of Moldova on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A1219(11)&qid=1395934660871)) | 01/07/2013 |
| Montenegro | [Agreement between the European Community and the Republic of Montenegro on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A1219(07)&qid=1395934765278) | 01/01/2008 |
| Serbia | [Agreement between the European Community and the Republic of Serbia on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A1219(09)&qid=1395934784123) | 01/01/2008 |
| Russia | [Agreement between the European Community and the Russian Federation on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A0517(01)) | 01/06/2007 |
| Ukraine | [Agreement between the European Union and Ukraine amending the Agreement between the European Community and Ukraine on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22013A0620(02)&qid=1395935830138)(amending the [Agreement between the European Community and Ukraine on the facilitation of the issuance of visas](http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22007A1218(02)&qid=1395935848687)) | 01/07/2013 |

Visa facilitation agreements are linked to [readmission agreements](https://ec.europa.eu/home-affairs/what-we-do/policies/irregular-migration-return-policy/return-readmission). Readmission agreements establish the procedures for the return to the EU or to the partner non-EU country of persons (own and third country nationals or stateless persons) in irregular situation.

EU States may also individually negotiate agreements on [local border traffic](https://ec.europa.eu/home-affairs/what-we-do/policies/borders-and-visas/border-crossing) with neighbouring non-EU countries. These agreements enable border residents of well-defined areas to cross the EU external borders, under certain conditions, without having to obtain a visa.

#### Schengen Visa Info

https://www.schengenvisainfo.com/who-needs-schengen-visa/

2) Special administrative regions of the Peolple’s Republic of China: Hong Kong\*\*\* Macao\*\*\* \*\*\* Visa-free regime applies only to holders of a “Hong Kong Special Administrative Region” passport. \*\*\* Visa-free regime applies only to holders of a “Região Administrativa Especial de Macau” passport.

# Extensions

### EU Collapse Impact

Second, is keeping the EU intact.

**Horowitz** explains in **2019** that Europe just endured one decade of economic stagnation and if it doesn’t act, it could face another. Another wasted decade would deepen division in Europe causing the entire bloc to break apart. This would have dangerous implications.

**Buiter** writes in **2011** that collapse would be followed by defaults in weak member states whose currencies would weaken and whose banks would fail. **Monot** continues that this would create significant economic turmoil as investment would stall and countries would fall into long lasting recession. **Ross** adds in **2018** that this would spread across the globe leading to global economic consequences.

### Poverty in EU

The Borgen Project ’18, Luz Solano-Florez, 23 June 2018, <https://borgenproject.org/facts-about-poverty-in-europe/>

One in four Europeans experiences at least one form of poverty. Forms of poverty include income poverty, severe material deprivation, very low work intensity and social exclusion. [Income poverty is the most common](http://ec.europa.eu/eurostat/statistics-explained/index.php/Europe_2020_indicators_-_poverty_and_social_exclusion) form of poverty in Europe, affecting 17.3 percent of people. [One hundred eighteen million people](https://www.eapn.eu/what-is-poverty/poverty-facts-and-trends/) (23.5 percent) of the EU-28 population were at risk of poverty or social exclusion, with 43 million of those not able to afford a quality meal every second day. This is known as severe material deprivation.

Even if the prove that recession isn’t going to happen, The Borgen Project finds that just in the EU there are more than 180 million people at risk of poverty, and 43 million can’t even afford a meal every second day. What this means is that ensuring economic growth in the EU is still a net benefit.

# Cut Stuff

Second, is by allowing European FDI in China.

**Hanneman** finds in **2018** that European FDI in China remains lackluster because of persistent market access hurdles and there is a major gap in investment openness between the EU and China. **Lemon** continues in **2019** that major European leaders have voiced cautious optimism about increasing involvement in the BRI. However, they have stated that this must lead to certain reciprocity in market access. Crucially, **Bisio** explains in **2019** that China’s leaders are adept at exploiting differences in Europe for their advantage. However, **Carrai** writes in **2019** that if the EU can come together, a united EU can provide leverage to make China comply with demands for a more balanced economic relationship. Thus, it is crucial that the entire bloc joins the BRI so that market access can be negotiated. **Hanneman** continues that China’s market access hurdles impose serious harms to European consumers and producers as they distort free market competition. ~~Increasing European FDI in China would be very beneficial as~~ **~~Wu~~** ~~adds in~~ **~~2018~~** ~~that European companies that were able to invest in China have reported very strong profits~~.

### 3 – Investment Reciprocity

#### Smith & Loon ’19

Jeff Smith & Fabio Van Loon, Heritage Foundation, 30 May 2019, <https://www.heritage.org/asia/commentary/xi-goes-rome-course-correction-chinas-belt-and-road-initiative>

In sum, the MoU was fairly light on specifics and devoid of some of the geopolitical and transparency concerns that have accompanied the BRI’s troubled record in the developing world — perhaps a reflection of Italy’s stronger negotiating position. The document explicitly states it is not legally binding and is valid for five years unless terminated by either side with three months’ notice.

#### Lemon ‘19

Jason Lemon, Newsweek, 26 March 2019, <https://www.newsweek.com/macron-merkel-china-belt-and-road-1375673>

French President Emmanuel Macron and German Chancellor Angela Merkel have called for improved trading ties with China as they voice cautious optimism about the Continent becoming more involved in Chinese President Xi Jinping's Belt and Road Initiative (BRI). "We, as Europeans, want to play an active part [in the project]," Merkel said after Tuesday talks in Paris with Xi, Macron and European Commission President Jean-Claude Juncker, the Hong Kong-based South China Morning Post reported. "And that must lead to a certain reciprocity, and we are still wrangling over that a bit." Macron voiced a similar view, while remaining cautious. "What's at stake is demonstrating that cooperation yields more than confrontation," the French leader said, according to Reuters, a clear contrast to the current position of Europe's close ally the United States. Washington has dubbed the BRI a "vanity project," as President Donald Trump has generally taken a hard-line stance against Beijing. Last summer, Trump launched a multibillion-dollar trade war with China, accusing it of treating the U.S. "very unfairly" when it comes to trade. efforts to move forward with the BRI, which is modeled after the historic Silk Road trade route and aims to link China by land and sea with other parts of Asia, Europe, the Middle East and Africa through vast infrastructure development. "China's BRI offers both opportunities and risks, and the prudent thing to do, which European countries are moving toward, is to explore its opportunities while being cautious of its risks," Yuen Yuen Ang, an associate professor of political science at the University of Michigan specializing in China, told Newsweek. Conversely, she pointed out, "the U.S. slams the door on BRI because it sees its relationship with China in zero-sum terms." Washington thinks "if China 'wins,' the U.S. 'loses,'" she said. Analysts have raised significant concerns about what some have classified as "predatory" lending practices by Beijing in an [effort to expand the BRI](https://www.newsweek.com/china-major-change-2019-new-years-1276040) and its global influence. Throughout Asia and Africa, China has offered long-term loans that some nations are unlikely to pay back. The goal, according to analysts, is for governments to eventually default on the loans and give China control of the infrastructure built with the funds. European nations are also concerned about what they view as unfair trade practices by China that make it difficult for foreign enterprises to compete fairly. While European leaders believe they have opened their markets wide to Chinese companies, they see China as having been slow to respond in kind.

#### Hanneman & Huotari ’18

Thilo Hanneman & Mikko Huotari, Merics – Mercator Institute for China Studies, 17 April 2018, <https://www.merics.org/en/papers-on-china/reciprocity>

Europe continues to be a favorite destination for Chinese investors. China’s global outbound investment declined in 2017 for the first time as Beijing enacted capital controls. Chinese FDI in the EU followed the global trend and dropped to EUR 35 billion, a 17% decline compared to 2016. However, the pace of Chinese deal making in Europe is more resilient than in other advanced economies, and state-related investors are staging a comeback. European FDI in China remains lackluster because of slowing growth and persistent market access hurdles. The level of European FDI in China has hovered around EUR 10 billion per year in the past five years before 2015 and has further declined in 2016 and 2017 to EUR 8 billion per year. Despite promises to level the playing field, European companies continue to face major formal and informal investment restrictions in the Chinese market, especially in sectors with high growth opportunities. By all available measures, there is a significant gap in investment openness between the EU and China. Chinese investors enjoy one of the most open investment regimes in Europe, with almost unfettered access to all industries. China on the other hand continues to strategically limit access for foreign companies in many sectors and there is rampant informal discrimination against foreign firms. The lack of investment reciprocity harms European interests. The lack of reciprocity violates fairness principles that the post-WWII economic order was built on. It also is a threat to efficient market allocation of resources, which can cause serious harm for European producers and consumers. Finally, the perception of China as a free rider undermines popular support for economic cooperation with China and for an open, liberal economic order in Western democracies. Moving toward greater reciprocity is ultimately in China’s own interest: China’s leaders are aware that the current investment barriers not only stoke foreign discontent but are ultimately also detrimental to China’s own economic welfare.

#### Bruegel ‘17

Bruegel, Chatham House, China Center for International Economic Exchanges and The Chinese University of Hong Kong, September 2017, <http://bruegel.org/wp-content/uploads/2017/09/CHHJ5627_China_EU_Report_170912_WEB.pdf>

The ongoing EU–China negotiations for an investment agreement can be used as a platform for addressing differences and facilitating further investment, with a view to concluding an investment agreement between the EU and China that works for both sides as soon as feasible. The investment agreement will replace existing bilateral agreements between China and EU member states. The aim of such an agreement is to create a more open, transparent and secure environment for greater future flows of investment. Market access is currently the most challenging issue in these negotiations. Potential Chinese investors in the EU perceive growing scrutiny from EU national regulators, on grounds of national security and unfair competition. Conversely, European companies perceive major limitations to access the Chinese market on grounds of domestic development strategy and protectionism of certain sectors. In pursuing the investment agreement, therefore, the objective should be to create fair, stable, transparent and predictable business climates in China and the EU, so that companies from both sides enjoy equal treatment regardless of their country of origin. This will require both the EU and China to update their respective strategies and institutional frameworks, including possibly the passage of new legislation, to ensure such business climates and to strengthen protection for intellectual property rights. Some EU concerns could be partly addressed by Chinese companies adopting prevailing international principles of corporate governance. China would expect the EU to acknowledge that Chinese companies are starting from a different point and operating in a different economic system. Nevertheless, the Chinese government has stated that it is committed to opening up its markets further to foreign investment and letting the market play a decisive role in the allocation of resources. An important step towards reaching an agreement, therefore, would be for China to begin implementing the application of its ‘negative list’ on investment to its whole national territory rather than solely in the free trade zones (FTZs), after which, shorter, coordinated ‘negative lists’ for investment could be agreed between the EU and China. Meanwhile, the EU–China investment agenda should focus more on opening up each other’s service sector. An EU–China investment agreement has the potential to spur a new round of economic reform, including in the SOEs, and market liberalization in China.

#### Ciurtin ’17

Horia Ciurtin, December 2017, European Institute of Romania, “A Pivot to Europe: China’s Belt and Road Balancing Act”, <http://ier.gov.ro/wp-content/uploads/publicatii/Final_Policy-Brief-5_Horia-Ciurtin-A-Pivot-to-Europe_web.pdf>

However, as shown before, China cannot financially and logistically manage such an ambitious project on its own. And, this time, prominent regional actors such as Russia, Iran and Turkey (who are unable) or India and Japan (who are unwilling) cannot be counted upon to build the Belt and Road. The only possible – and the truly necessary – partner is the European Union. The path to Europe can open up only with Europe’s support and financial participation. For this reason, the EU is in the position to exercise its considerable leverage and make limited (but strong) demands on China, before getting to the actual build-up.

#### Carrai ’19

Maria Adele Carrai, 8 April 2019, ChinaFile Conversation – a weekly real time discussion of China news from a group of the world’s leading China experts, <http://www.chinafile.com/conversation/how-should-europe-handle-relations-china>

Another important factor is the role of the U.S. in EU-China relations. Xi Jinping [visited](https://www.bloomberg.com/news/articles/2019-03-18/xi-to-visit-europe-in-bid-to-offset-concerns-boost-trade) Europe in late March, just before the 70th anniversary of [NATO](https://www.npr.org/2019/04/04/709573680/5-dark-clouds-hanging-over-natos-70th-anniversary) on April 4 – an anniversary that U.S. Vice President Mike Pence [marked by](https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-nato-engages-alliance-70/) calling China’s rise “perhaps the greatest challenge NATO will face in the coming decades.” While the EU’s transatlantic ties remain much stronger than its ties with China, the power of Chinese money and investment could gradually bring EU countries closer to Beijing. To enact an effective strategy, the EU needs to come together: A united EU market can provide the leverage to make China comply with demands for a more balanced economic relationship.

#### Bisio ‘19

Virgilio Bisio, 8 April 2019, ChinaFile Conversation – a weekly real time discussion of China news from a group of the world’s leading China experts, <http://www.chinafile.com/conversation/how-should-europe-handle-relations-china>

China’s leaders are adept at keeping regional blocs divided in order to deal with individual countries or select groupings on more favorable terms. They have effectively exploited the divergent interests of Europe’s economic powerhouses and its investment-hungry East and South.

#### Wu ‘18

Wendy Wu, South China Morning Post, 20 June 2018, <https://www.scmp.com/news/china/diplomacy-defence/article/2151512/european-chamber-warns-china-may-lose-appeal-investors>

Meanwhile, 43 per cent said they had found it more difficult getting access to the sectors listed under the Made in China 2025 policy, although access had improved for larger European firms, particularly in cars and machinery. Companies surveyed identified the top regulatory obstacles as unfavourable treatment in dealing with administrative issues, discrimination in enforcement of rules, market access barriers and licensing requirements. Legal services, pharmaceutical and medical devices were among the sectors that reported the most cases of unfair treatment. The chamber polled 1,195 members for the annual report in February and March, with 532 completing the survey. Its report also warned that China risked losing some of its lustre for investors, who were concerned about market restrictions and uneven treatment, as well as possible capital controls and rising labour costs. These factors, along with the growth of emerging markets, could push European companies to invest elsewhere, it said. “The pressure is now on China to further develop its institutions or risk current inefficiencies rendering any market opening meaningless. In short, maturing markets demand mature regulatory environments,” the report said. Half of the companies surveyed said they expected to see “meaningful” efforts to open up and even out the playing field in the next five years, while the rest believed it would take longer. “The ball is now in China’s court to decide how long it will wait before it follows through on its reform promises,” the chamber said. European firms reported strong profits in China last year on resilient economic growth and increasing demand for quality goods and services from the middle class in sectors such as cars, medical devices and pharmaceuticals, according to the report. But telecoms and information technology firms were hit hard by the controversial new cybersecurity law, it said.

#### Hanneman & Huotari ’18

Thilo Hanneman & Mikko Huotari, Merics – Mercator Institute for China Studies, 17 April 2018, <https://www.merics.org/en/papers-on-china/reciprocity>

The lack of reciprocity violates fairness principles that the post-WWII economic order was built on. It also is a threat to efficient market allocation of resources, which can cause serious harm for European producers and consumers. Finally, the perception of China as a free rider undermines popular support for economic cooperation with China and for an open, liberal economic order in Western democracies.

If it persists, the lack of investment reciprocity can generate serious economic harm to European producers and consumers. Uneven market access is a distortion of free competition, which poses a serious threat to the functioning of efficient markets. It protects less competitive Chinese firms from being defeated or swallowed by more productive overseas companies. It could even allow these less productive firms to acquire or defeat more productive overseas firms in their own home market, especially if additional subsidies and other distortions exacerbate the situation. If persistent, such patterns could lead to consolidation of an industry in the hands of inefficient but protected players. This in turn has serious negative implications for consumer welfare and innovation. Take, for example, the automotive industry. European auto manufacturers face high tariffs of 25% and higher as well as taxes on car imports into China. For manufacturing and selling cars in China, they are required to engage in a joint venture with a Chinese company, which they cannot control (they can own a maximum of 49%) and are expected to share technology. Moreover, there are special requirements for localization of supply chains. Chinese companies on the other hand are free to enter the European market through 100% ownership of greenfield facilities, and they are free to acquire 100% ownership of existing European automakers as well as auto suppliers. In short, Chinese companies can utilize EU acquisitions and R&D operations to improve their competitiveness while they are protected through equity caps and import tariffs from European firms in China. Reciprocity concerns get further elevated in the case of China because of its economic size. China is already the world’s second largest economy with a Gross Domestic Product of USD 12 trillion in 2017, and it is projected to surpass the United States as the world’s biggest economy around 2032.20 This is not a problem per se, but it means that China will have enormous weight and impact on global market structures and asset prices. If a country of the size of China pursues policies that cause major market distortions, it could inflict serious harm on global markets.