**(704)**

**Wayland Negates;**

**Our sole contention is economic collapse**

**Subpoint A is Tariffs**

[**Palmer**](https://www.politico.com/story/2019/05/17/donald-trump-auto-tariffs-1330014) **‘19** finds “Trump has been considering hitting the EU, Japan and other foreign auto suppliers with a 25 percent tariff under a law that allows him to impose trade restrictions on the basis of national security.” However, the situation is on the brink of resolving itself as [**Al Jazeera**](https://www.aljazeera.com/ajimpact/trump-eu-trade-deal-close-190826195414136.html) **‘19** reports that “President Donald Trump said that he thinks the US will be able to reach a fair trade agreement with the European Union without imposing threatened tariffs on car imports.”

However, joining the Belt and Road would reverse progress on trade talks and push Trump to impose tariffs. [**O'Connor**](https://www.newsweek.com/china-laugh-us-criticism-italy-one-belt-road-plan-1356676) **‘19 explains that** “The U.S. views the [BRI] as a threat, and [has] attempted to dissuade countries from accepting China's money.” Thus, [**Duesterberg**](https://foreignpolicy.com/2019/04/05/trans-atlantic-trade-is-headed-toward-disaster/?fbclid=IwAR1wexIWAYg2S_0Yz6GLF6t1gPuNoJPQi5v8LtH6BkLhtJPN8fFkZX17iZc) **‘19** continues that “joining China’s multibillion-dollar Belt and Road Initiative may be enough to provoke Trump into pulling the trigger on auto tariffs [that would] send the global economy into a tailspin.”

Unfortunately, auto tariffs would greatly damage the German auto industry. [**ANE**](https://europe.autonews.com/automakers/german-automakers-most-risk-trump-tariffs) **‘19** finds that “a 25 percent tariff would add about $11,300 to the sticker price of a car made in the bloc and sold in the U.S. If the U.S. imposed 25 percent tariffs, German car exports to the U.S. could fall by almost 50 percent.” Nienbar of Reuters explains that as a result of trade conflicts, the German economy is already on the brink of recession. Hence why **[Noak ‘19](https://www.washingtonpost.com/world/2019/08/07/germany-was-europes-economic-growth-engine-trade-wars-could-drive-it-recession/?noredirect=on)** writes that “President Trump’s threatened tariffs on car imports from Germany could push the country toward a recession.” Furthermore, [**Amaro ‘19**](https://www.cnbc.com/2019/06/28/a-recession-in-germany-could-mean-economic-damage-for-these-countries.html) **finds that** “If [a German Recession was] to materialize, the entire eurozone would be at risk, given the importance of the German economy to the region.”

**Subpoint B is State-Owned Enterprises**

[**Small**](https://www.business-standard.com/article/international/china-s-belt-and-road-is-shrinking-it-may-be-bad-news-for-us-and-allies-119042500121_1.html) **‘19** explains that “China’s globe-spanning infrastructure program is shrinking. The rhetoric at the second Belt and Road Forum, opening in Beijing on Thursday, is almost certain to be less triumphalist -- and new plans for roads, pipelines, bridges and rail lines more modest -- than at the first.” However, If Europe joined the BRI, China would find itself with a continent-worth of infrastructure to build in.

As the BRI expands into Europe, any construction would require the use of China’s state owned enterprises as [**Broder ‘19**](http://library.cqpress.com/cqresearcher/document.php?id=cqresrre2019012500) finds “Beijing only requires that the borrower hire state-owned Chinese construction companies to perform the work.” However, [**Zhou**](https://thediplomat.com/2015/06/the-trouble-with-the-chinese-marshall-plan-strategy/) **‘15** finds “Since SOEs answer to government shareholders and enjoy state financial support, there has been little incentive for these Chinese companies to carefully assess cost, benefits, and risks. As a result, investment returns have been low.”

Vitally, [**BRN**](https://www.beltandroad.news/2019/05/17/financing-and-funding-for-the-belt-road-initiative/) **’19** explains “China has multiple state-owned banks increasingly involved in financing the BRI as they are tied to China’s major state-owned enterprises, and provide much of the funding to them. As such, they are the one delivering most of the financing.” For this reason, an expanding BRI is likely to place massive stress on China’s state owned banks.

Private financing is unlikely to help shoulder the burden as [**WC**](https://www.weekinchina.com/chapter/belt-and-road/how-is-belt-and-road-being-funded/) finds “The world’s major commercial banks will seldom give loans to [BRI] countries, because they can hardly pass the rigid risk assessment.”

[**Yu**](https://www.theepochtimes.com/chinas-one-belt-one-road-is-a-gamble-for-banks_2219092.html) **‘17** furthers “Chinese infrastructure loans already make up a disproportionately large part of total non-performing loans (NPL) within the banking sector…Third-party estimates from CLSA and other banks state China’s NPL rates to be as high as 15 to 20 percent… Additional loans from the One Belt, One Road initiative will likely only exacerbate China’s growing NPL problem, and could lead to a banking system crisis. The crisis wouldn’t just be confined to the Chinese banking system. From the perspective of borrowers, failure to repay the loans could trigger crises for the governments and regional economies of the countries receiving the investment.” For this reason, the [**IMF**](https://www.imf.org/external/pubs/ft/wp/2016/wp16203.pdf) **‘16** estimates that “Potential “debt-at-risk” could yield estimated potential losses of about 7 percent of GDP.

An economic crash in China spreads to the rest of the globe as [**Rogoff ‘18**](https://www.bostonglobe.com/opinion/2018/11/08/the-global-impact-recession-china/9kGmtn9ktWv5TIyMHu6v4M/story.html) of the Boston Globe explains that a Chinese recession will reverberate globally due to the nation’s vast economic linkages.

**The impact is economic shock**

Overall, [**Bradford ‘13**](https://www.huffpost.com/entry/global-poverty-900-million-economic-shock_n_3022420)finds **“**as many as 900 million people could fall back into poverty in the event of an economic shock like the Great Recession ."

**Extensions**

Tariffs

Currently, Trump is very confident in trade negotiations with the EU meaning that he is unlikely to pull the trigger on auto tariffs. However, **Duesterberg** finds that joining the BRI would cause Trump to impose auto tariffs as it would represent Europe aligning itself with China. These tariffs would hurt European auto exports to China sending the already weak German economy into a recession. Since Germany is a pillar of the global economy this recession would spread to the rest of Europe, then globally. This pushes 900 million people into poverty.

Al Jazeera explains that currently Trump is confident that the US will get a fair trade deal with the EU. However, Dusterberg finds that the large perceptual shift in the EU joining the BRI would provoke Trump into pulling the trigger on EU auto tariffs sending an already weak German economy into a tailspin and causing a global recession pushing 900 million people into poverty.

SOEs w/ reckless funding

**Broder** finds that the MOUs China signs with other countries force them to use state owned construction companies when building things, also known as SOEs, and **BRN** furthers that these SOEs are finnanced by state owned banks, meaning that expanding BRI would require Chinese banks to give out more loans. However, **Zhou** finds that SOEs make a lot of risky investments because they believe the government is backing them. As a result, few of their investments actually generate profits, as **Yu** quantifies that 20% of Chinese loans are non performing, he continues that the increase in BRI loans is going to exacerbate the NPL problem in China and will lead to a regional banking crisis. The **IMF** finds that this reduces Chinese GDP by 7% and **Bradford** finds that this send 900 million people into poverty.

Broder explains that BRI infrastructure projects are almost all built with Chinese state owned companies. Zhou finds that however, because these companies believe they have the backing of the Chinese government, they make a lot of risky investments without generating actual profits. That

# Frontlines

## Tariffs

### F2: Other Reasons why Trump should have put on tariffs from Duesterberg: The O’Connor evidence from case says that the administration believes that their response to previous offenses were too mild, so they uniquely react to the BRI with tariffs.

### F2: BRI allows EU and China to diversify away from the US: In order to see a significant increase in trade you would need to see infrastructure that takes a long time to build which is longer than Trump may have in office

### F2: We are about to enter a recession anyways where trade will go down so nonunique: Sliding into a recession causes a slow decrease in trade while tariffs cause a sudden stop of trade which causes a bigger impact.

### F2: Low prob of tariffs because EU can retaliate: Trump has started trade wars with China which also had the ability to retaliate

### F2: BUILD ACT: Anwar finds that the US’ response to the BRI has been both tariffs and BUILD act. But the impacts of recession are going to be more important because they affect more people

### F2: Trump won’t hurt the US economy because he needs it for reelection: Trump does stuff that hurts the economy all the time, for example he restarted the trade war with China which obviously would hurt theeconomy.

## SOEs

### F2: Private investors would fund. Even if private investors would help fund the BRI countries are still going to expect some funding from China because the BRI is their project, so it still forces the Banks to take on more strain.