# NC – Tariffs/Reform

We Negate

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

## Contention One is Accelerating the Trade War.

If the EU were to join the Belt and Road, it would incite tariff retaliation from the United States for 2 reasons.

First, is by signaling an economic shift.

**Trigkas** writes in **2018** that expanding trade between China and the EU such as the signing of an investment deal could push Trump into unleashing tariffs against European exporters. Insofar as the BRI is aimed to increase economic and trade cooperation between China and participating countries, affirming would be enough to provoke Trump into increasing tariffs on the EU in retaliation.

Second, is by signaling a political shift.

**Jiangtao** finds in **2019** that growing tensions between China and the US over trade is forcing other countries to choose between the two economic superpowers, putting the EU in a difficult spot. Europe is finding itself in a position where countries that want to coexist with both the US and China are now forced to make an impossible choice and prove their allegiance to one or the other. Europe has become a battlefield for the two nations’ geostrategic goals.

Crucially, **Barkin** writes in **2019** that the EU has adopted a much tougher stance on China over the past years, with Germany and France leading the way, which is locking the US-EU alliance together. US officials know that American success in its competition with China hinges on what happens in Europe. However, the Trump administration has no patience when it comes to working with European allies. Crucially, **Aliyeva** explains in **2018** that if Western European nations joined the Belt and Road, it would signal a decisive shift in strategic allegiance.

The impact is tanking the world economy.

**Duesterberg** finds in **2019** that EU leaders who have unilaterally joined the BRI have raised tensions with the US and that continuing to raise tensions would provoke Trump into imposing auto tariffs on the EU, sending the global economy into a tailspin. Moreover, tariffs will always be the response as **Burchard** writes in **2019** that Trump really believes that confrontation with foreign countries gets him votes.

**Heeb** continues in **2019** that full auto tariffs would trigger a global recession. Auto tariffs would hit consumers in a way that other tariffs have not as increasing the price of vehicles and imported materials would threaten jobs, spending, and investment. This would be devastating as a **World Bank** study concludedthat in the 2008 recession 155 million people fell into poverty.

## Contention Two is A Better BRI.

Currently, the BRI is riddled with problems that have rendered it ineffective. **Hillman** explains in **2019** that a lack of oversight and transparency in the BRI has bred corruption. Chinese firms have bribed local officials in recipient countries to green light more and bigger projects without regard to financial viability. Because of this, more than half of BRI projects are expected to provide little value. Even more, **Chin** explains in **2018** that Chinese contractors have colluded with countries to embezzle BRI funds by grossly overpricing projects.

Crucially, **Elmer** reports in **2019** that the European Union has released its own strategy for connecting Europe and Asia called the EU Connectivity Plan with the promise to redouble its efforts to build infrastructure across the region. The EU’s Plan is more sustainable than the BRI and their focus on environmental assessments and sustainable financing makes the European approach very attractive. Because of this, countries are increasingly turning to the EU for their infrastructure needs.

Moreover, the EU Plan will force China to reform the BRI. **Cameron** of the Diplomat explains in **2018** that because the EU was well aware that peer pressure would not force China to reconsider their strategy, the EU put forth their own comprehensive response that would provide an alternative offer to countries. **Emmott** continues in **2018** that the EU plan is a response to the BRI that the EU believes they can use to steer Chinese policy into abiding by certain standards. Moreover, reforms have already begun to take place. **Herrero & Xu** find in **2019** that the EU Plan has caused China to make a number of strategic changes such as easing their own control and offering more opportunities for foreign nations to get involved.

However, affirming will reverse this trend. If the EU were to join the BRI it would have no need to build its own infrastructure plan to compete against China, thus stripping away China’s incentive to reform.

The impact is creating a BRI that benefits everyone.

**The World Bank** finds in **2019** that the BRI has the potential to reduce poverty for dozens of developing countries. However, **THIS MUST BE ACCOMPANIED BY POLICY REFORMS** that increase transparency, improve debt sustainability, and mitigate environmental and corruption risks. If these reforms are made, the study concludes that 32 million people could be lifted out of poverty and global trade could be boosted up to 6.2%.

Thus, we negate.

# CARDS

## C1 – Tariffs

Telesur ‘19, 4-26-2019, "German Minister: EU Nations Should Join Silk Road as Bloc," No Publication, <https://www.telesurenglish.net/news/German-Minister-EU-Nations-Should-Join-Silk-Road-as-Bloc~-~-20190427-0011.html>

“During the BRI forum, the German minister said that most European governments prefer to sign together because a joint negotiation would benefit the bloc as a whole. It would also be a blow to the United States administration under President Donald Trump that has instigated and incited trade wars with China, Russia, and Iran, and is currently threatening to apply hefty tariffs on European imports. French President Emmanuel Macron has said the union should not enter trade agreements with the U.S. for leaving the 2015 Paris Agreement. The Belt and Road Initiative is a Chinese investment plan to create infrastructure and communication networks across the globe. Chinese President Xi Jinping just announced that the BRI forum solidified another US$64 billion in deals. The EU's participation in the BRI would represent a sign of success for China and be a significant political, economic and diplomatic setback for the U.S.”

#### Trigkas ‘18

Vasilis Trigkas, 6 July 2018, "Nato, China summits a chance for Europe to assert itself," South China Morning Post, https://www.scmp.com/comment/insight-opinion/united-states/article/2153948/nato-and-china-summits-give-europe-chance

However coercive Trump has become, Europeans have no need to undo years of painstaking fiscal consolidation and spend big in building guns abroad when the threats at home are transnational and demand tailored security policies. Even Russia, often framed as an existential threat for Europe, is not defying the EU’s security by unleashing tank battalions. Instead, it is going hybrid – utilising misinformation and smart propaganda to exacerbate intra-European populism. Trump’s rage should inspire Europe to spend on strategy instead: to follow up on French President Emmanuel Macron’s security initiative; take the Permanent Structured Cooperation on steroids and move faster towards a fully fledged security union with its own information agencies and regional security agenda to protect borders; stabilise failed states across its periphery; and, ultimately, integrate the European defence industry into civil innovation, similar to the US Defence Advanced Research Projects Agency. In Beijing, EU leaders may have a seemingly easier task negotiating with the Chinese on trade but caution is always a wise counsellor. According to reports from the meeting of the vice-president of the European Commission, Jyrki Katainen, and Chinese Vice-Premier Liu He in June, the two sides are ready to present their detailed market access conditions by mid-July and reboot the dormant discussions on a bilateral investment treaty. If negotiations accelerate and China and the EU reach a final accord by the end of the year or early 2019, this would complicate US efforts to rebalance its economic relations with China. It could push trigger-happy Trump to unleash tariffs against European exporters at a moment when the EU has just found its economic pace. Any benefits from a bilateral investment treaty with China may be undone by a full-scale transatlantic trade war and an utterly divided West.

#### Duesterberg ’19

Thomas Duesterberg (Foreign Policy). Trans-Atlantic Trade Is Headed Toward Disaster. Published April 5 2019. https://foreignpolicy.com/2019/04/05/trans-atlantic-trade-is-headed-toward-disaster/

After an Oval Office meeting last month between U.S. President Donald Trump and Irish Prime Minister Leo Varadkar, Trump took a hard line on trade with the European Union. “We’re going to tariff a lot of their products,” he said, unless Europe compromises on long-standing trade issues. U.S. Trade Representative Robert Lighthizer, responding to pressure from Congress, added that the trade agreement between Washington and Brussels would be a “dead letter” absent the inclusion of agricultural issues. On the European side, however, trade commissioner Cecilia Malmstrom reiterated the refusal to include any discussion of agriculture in these talks. Moreover, the European Parliament failed to endorse the proposed European Commission mandate for negotiations, and both institutions mulled banning all talks until the United States rejoined the Paris climate accord, a position that French President Emmanuel Macron has advanced. The French also blocked the adoption of a negotiating mandate in late March. Unless both sides reconsider their intractable positions, and Malmstrom gets approval to open talks, an impatient Trump could impose 25 percent auto tariffs. Such a move would likely put the already weak European economy into a recession and cause a breakdown in trans-Atlantic economic cooperation, which has been a pillar of the global economic order since the Bretton Woods system was established in 1944. The EU enjoys a nearly $170 billion merchandise trade surplus with the United States, of which Germany alone accounts for some $70 billion. In some part, this represents trade benefits built up by Europe over time as the United States assisted it in regaining economic vitality after World War II, which were never relinquished despite continued U.S. efforts over many decades.

Europe also has not been especially helpful to the United States in mounting a serious challenge to Chinese mercantilist practices. The U.S. Treasury has put Germany on its watch list for currency manipulation, partly because it consistently runs a global trade surplus around 8 percent of GDP. As a member of the eurozone, Germany can hide behind the easy monetary policy of Mario Draghi’s European Central Bank, which was recently renewed, and the currency weakening effects of being in the same currency zone as Southern European economic laggards. Germany also resolutely refuses to stimulate its weakening economy, consistently running budget surpluses against the advice of the European Commission. European and German economic policy hence promises to exacerbate trade imbalances with the faster-growing U.S. economy The United States has traditionally been tolerant of the EU’s soft protectionism, especially in the decades devoted to bringing Europe back to prosperity and into the anti-Soviet bloc after World War II and later to help convince the Chinese to move in a democratic, market-oriented direction. But in recent decades the costs of the growing trade imbalances on the industrial and technology sectors have led to a shift in thinking about the trade-offs in a liberal trade regime and helped propel Trump to the presidency. The other serious trans-Atlantic conflict is over reform of the WTO. All sides agree that current rules fail to cover issues of great importance to the 21st-century economy, such as digital trade, subsidized state-owned enterprises, and protection of intellectual property. The rise of the huge, mercantilist Chinese economy is an important stimulus to agree on new rules. Since the George W. Bush administration, the United States has also built a critique of the operations of the WTO, centered on its desultory pace of action and the judicial activism of its Appellate Body, which settles disputes. The United States, the EU, and Japan have been working diligently since late 2017 to devise solutions to the problems of the WTO. But European unwillingness to recognize in a substantial way the U.S. critique of the Appellate Body overstepping its mandates and assuming rule-making powers threatens this process as well. (The emblematic case of this overreach is the 2006 ruling invalidating the methodology for imposing anti-dumping duties used by the United States and accepted in the negotiations establishing the WTO.) Since the Appellate Body will cease to be operational by December because the United States, beginning under the Obama administration, has refused to appoint new judges to it, the future of the WTO itself may be hanging in the balance. Moreover, the need for consensus on new rules has paralyzed the WTO since its inception and has led many to question the effectiveness of the institution. Trump certainly does not help matters by constantly invoking the looming threat of tariffs. While his proposed auto tariffs are a bad idea, Trump’s frustration with Europe can certainly be understood. Congress could help by limiting the president’s power to use tariffs but needs to suggest alternatives to incentivize Europe to act. Failure to bridge differences in the dispute settlement problem and agree on broader WTO reform could result in the effective demise of this foundational part of global economic order. Unfortunately, some EU leaders in recent weeks have further raised tensions by promoting subsidized industries, as they did with Airbus and contemplate doing for artificial intelligence and electric batteries, in the guise of national champions; renewing an easy money policy that weakens the euro; siding with the Chinese mobile communications powerhouse Huawei in the dispute over 5G deployment; and joining China’s multibillion-dollar Belt and Road Initiative. This may be enough to provoke Trump into pulling the trigger on auto tariffs and send the global economy into a tailspin.

#### Aliyeva ‘18

Kamila Aliyeva, 13 March 2018, AzerNews, Interview with Charles Stevens the founder on the New Silk Road Project, <https://www.azernews.az/business/128676.html>

Q.: What would it mean for Western European countries to join the Belt and Road initiative? Do you expect more countries to join it in future?A.: I think it would mark a great success for BRI as a strategy. With the UK leaving the European Union the economic region has had a jolt to its confidence. Whilst the EU does not have a united policy towards BRI some countries, particularly in Eastern Europe have been more receptive. This includes Belarus which is not formally part of the EU but participates in the EU’s Eastern Partnership. It would signal a decisive shift in strategic direction and historic allegiances were Western European countries to align more closely with BRI. China has been clever in presenting BRI as a development which is open for any countries to participate in – this includes the US.

#### Barkin ‘19

Noah Barkin, 6-4-2019, "The U.S. Is Losing Europe in Its Battle With China," Atlantic, https://www.theatlantic.com/international/archive/2019/06/united-states-needs-europe-against-china/590887/

After two years of escalating tensions between the United States and Europe over issues ranging from trade and Iran to defense spending and Russian gas pipelines, China should be the issue that unites the two sides, or at least eases some of the transatlantic strain. The European Union—with Germany and France leading the way—has adopted a much tougher stance on China over the past year, introducing new rules allowing for [closer scrutiny of Chinese investments](http://europa.eu/rapid/press-release_IP-19-1532_en.htm) in European countries, exploring changes to the EU’s industrial, competition, and procurement policies to ensure Beijing is not unfairly advantaged, and, after years of avoiding clashes with Beijing, declaring China a “strategic rival.” This shift mirrors the harder line adopted by Washington under President Donald Trump, who has dialed up his two-year confrontation with Beijing several notches over the past month by raising tariffs on Chinese goods and putting the Chinese telecommunications group Huawei and scores of its affiliates on an [export blacklist](https://www.reuters.com/article/us-usa-china-huaweitech/chinas-huawei-70-affiliates-placed-on-us-trade-blacklist-idUSKCN1SL2W4) that could severely restrict their access to vital U.S. technology. But conversations I had with dozens of officials on both sides of the Atlantic—many of whom requested anonymity to talk about diplomatic and intelligence issues—suggest that instead of coming together, Europe and the U.S. might be in the early stages of a damaging divergence on the China challenge. Trump’s latest moves, which raise the specter of a prolonged economic Cold War between Washington and Beijing, are likely to deepen the divide, taking the U.S. down a path that is unpalatable for even the hardest of European hard-liners. “If you listen to the people in the Trump administration, who view China as an existential threat, they are not in a place most Europeans can get to,” says Evan Feigenbaum, who held senior Asia-focused roles in the State Department during George W. Bush’s presidency and is now at the Carnegie Endowment for International Peace. The dissonance raises the prospect of a Western split on what both sides agree is likely to be the biggest geopolitical challenge of the 21st century—responding to the rise of an authoritarian China. A series of meetings in recent months, and the disparate ways in which they were interpreted by either side, illustrate the widening chasm. The European diplomat who discussed the April meeting likened Washington’s uncompromising stance on Belt and Road to its position on the Asian Infrastructure Investment Bank (AIIB) a few years prior. Back then, the United States, under President Barack Obama, [failed to convince allies](https://www.vox.com/2015/4/1/8311921/asian-infrastructure-investment-bank) to join a boycott of the new China-led development bank, leaving the Americans embarrassed and isolated. U.S. officials, by contrast, point to talks months before the meeting in Foggy Bottom, when Washington was pushing for a joint declaration denouncing human-rights abuses in Xinjiang, the western Chinese region where more than a million members of the Muslim minority have been detained in reeducation camps. That effort was also abandoned after what U.S. officials described as an exasperating back-and-forth with the European Union and individual member states. Among the American officials I spoke with, there was an air of what felt like panic—over what they saw as the global spread of Chinese influence through Xi’s Belt and Road initiative, the lack of [an American alternative to Huawei](https://www.csis.org/analysis/how-5g-will-shape-innovation-and-security), and the persistent failure of the World Trade Organization to tackle China’s unfair trade practices. One senior administration official likened discussions of China policy to the period after the 9/11 attacks. Inevitably, this person said, there will be an “overreaction” from Washington, with “collateral damage” for other countries, before U.S. policy settles down. In Brussels, senior officials are comparing the Trump administration’s China policy to Brexit. Both, they say, are based on the deluded notion that a fading great power can reverse the course of history and return to its glorious past. The irony is that senior U.S. administration officials acknowledge in private that American success in its competition with China might ultimately hinge on what happens in Europe. Yet many U.S. officials have no patience, at least in the highest ranks of the Trump administration, when it comes to working with European allies. Nor do they have much appreciation for the steps Europe has taken over the past year to push back against China. Several U.S. officials described the EU’s recent measures as baby steps that fall far short of what is needed. “The Americans are out to beat, contain, confront China,” a senior EU official who asked not to be identified told me. “They have a much more belligerent attitude. We believe they will waste a lot of energy and not be successful.” This does not mean that transatlantic channels of communication on China have broken down. A group of hawkish pragmatists including [Matt Pottinger](https://www.nytimes.com/2017/04/04/world/asia/matthew-pottinger-trump-china.html), who oversees Asia policy at the National Security Council, and Randall Schriver, a senior Pentagon official, have been trying to reach out to Europe for months, U.S. and European officials confirm. Last year, discussions focused on measures to protect against Chinese acquisitions. More recently, they have shifted to talks on next-generation 5G mobile networks, as well as joint responses to Belt and Road, an issue about which Washington and Brussels agreed last month to hold quarterly coordination meetings, according to EU officials. And last month, an American delegation traveled to Berlin for talks with German officials on China as part of a biannual get-together that began under the Obama administration and has continued, without a hitch, under Trump. Other changes are under way too: Last year, according to U.S. and European officials, the State Department appointed China point people in many of their European embassies, with officials estimating that roughly 150 U.S. diplomats on both sides of the Atlantic now spend at least part of their time focusing on China in Europe; at a meeting of NATO foreign ministers in Washington in late March, China was [on the agenda](https://www.wsj.com/articles/china-threat-rises-to-natos-agenda-11554225508) for the first time; and Belt and Road could be a discussion point when France hosts a G7 summit in Biarritz in August, European officials have suggested. The outlines of what a transatlantic agenda might look like are not difficult to discern. In responding to Belt and Road, the U.S. and Europe could work together to develop common transparency, environmental, and social standards for infrastructure projects, while pooling their financial resources. At the very top of the priority list would be a set of common rules for data privacy and [artificial intelligence](https://www.oecd.org/science/forty-two-countries-adopt-new-oecd-principles-on-artificial-intelligence.htm), alongside joint efforts to make telecommunications infrastructure and supply chains bulletproof against Chinese espionage and sabotage. In Washington, some officials I spoke with suggested that a transatlantic consortium—grouping Huawei’s European rivals Nokia and Ericsson with U.S. firms—could be the solution to the 5G conundrum. On trade, the U.S. and Europe could form a powerful coalition with Japan, Canada, Australia, and other like-minded democracies to push back against unfair Chinese practices, perhaps in a comprehensive joint complaint to the World Trade Organization. (The Trump administration’s cooperation with other countries on trade has been limited, though, beginning with the president’s withdrawal of the U.S. from the Trans-Pacific Partnership, a trade deal aimed in large part at containing China.) Some China hawks in Europe are holding out hope that progress on a more comprehensive agenda could come if a Democrat replaces Trump in 2020. While all the leading candidates, including Joe Biden, Bernie Sanders, Elizabeth Warren, and Pete Buttigieg, [have been critical of China](https://www.ft.com/content/f3b9202e-760c-11e9-bbad-7c18c0ea0201), they have stressed the need to work more closely with allies in pushing back against Beijing. Still, Europeans should be careful what they wish for. The bullying tone that the Trump administration has frequently employed with Europe on China might disappear if a Democrat enters the White House. But so would one of the Europeans’ main excuses for not compromising with the United States on China and a range of other issues: Trump himself. Europe has profited in the short term from Trump’s confrontation with Beijing, [wringing concessions](https://eeas.europa.eu/delegations/china_en/60836/Joint%20statement%20of%20the%2021st%20EU-China%20summit) from a Chinese government desperate to prevent a transatlantic front. When Xi held his Belt and Road summit in April, half a dozen EU heads of state and government attended, while the Americans stayed home. European companies continue to invest heavily in China, including in sensitive new technologies such as artificial intelligence. When push comes to shove, will the Europeans be ready to give up the advantages they have gleaned from playing the nicer cop? Will they be prepared to put long-standing commercial ties with China at risk? And will they consider assuming more of the military burden in their own backyard as a future U.S. administration pares back its security commitments in Europe to help pay for domestic priorities like health care, education and infrastructure? “You may have more civility at the top with the Democrats,” says Orville Schell, the director of the Center on U.S.-China Relations at the Asia Society. “But there is no constituency anywhere in American politics right now for cooperation with China.” Regardless of who is in the White House, European countries must prepare for a world in which they will be viewed by Washington through a China prism—much in the same way that Europe was seen through a Soviet lens during the Cold War. If no common agenda is possible, the transatlantic relationship might be headed for even more trouble, Trump or no Trump.

#### Jiangtao ‘19

Shi Jiangtao, South China Morning Post, 29 May 2019, <https://www.scmp.com/news/china/diplomacy/article/3012205/china-or-us-europes-impossible-choice-trade-war>

Growing tensions between China and the United States over the escalating trade dispute – and the resulting global uncertainty – are forcing other countries to choose between the two economic superpowers. The European Union, which is the world’s largest trading bloc and a top trading partner of both China and the US, is in a difficult spot since US President Donald Trump’s decision to ratchet up pressure on Beijing early this month – a move that included signing an executive order which effectively banned Chinese telecoms giant Huawei from accessing US supply chains. “Europe is finding itself today in an extremely inconvenient position in which countries that seek to coexist with both China and the US are called to make an impossible choice and prove their allegiance to one of the parties over the other,” said Gal Luft, co-director of the Institute for the Analysis of Global Security, a Washington-based think tank. As nationalist rhetoric heats up in the wake of an early-May breakdown in US-China trade talks, top officials from both countries have engaged in intense shuttle diplomacy aimed at securing support and shoring up alliances across Europe. Chinese Vice-President Wang Qishan, a close ally of President Xi Jinping who formerly led trade talks with the US, is visiting Germany and the Netherlands this week, just days after another top Xi aide, Li Zhanshu, the Communist Party’s third-most powerful cadre, wrapped up a trip to Hungary, Austria and Norway. Wang’s trip will coincide with US Secretary of State Mike Pompeo’s arrival in Berlin for talks with Chancellor Angela Merkel on Friday. The US State Department said Pompeo would also visit the Netherlands, Switzerland and Britain. Pompeo’s four-nation trip is expected to pave the way for further travel by Trump himself, who is set to visit Britain and France early next month. The EU is in a delicate balancing act, as deteriorating US-China relations coincide with its own widening rift with the US over trade. European ties with Beijing stand at a crossroads, amid signs of a gathering storm and growing rivalry. In a landmark shift in its policy on China, the European Commission – the executive arm of the EU – for the first time labelled it an “economic competitor” and “a systemic rival” in a policy paper in March. Observers say that, with the return of trade war tensions, Europe – already caught in the middle of the unfolding US-China rivalry – will become an important battlefield for the two giant nations’ geostrategic political machinations.

#### Aliyeva ‘18

Kamila Aliyeva, 13 March 2018, AzerNews, Interview with Charles Stevens the founder on the New Silk Road Project, <https://www.azernews.az/business/128676.html>

Q.: What would it mean for Western European countries to join the Belt and Road initiative? Do you expect more countries to join it in future?A.: I think it would mark a great success for BRI as a strategy. With the UK leaving the European Union the economic region has had a jolt to its confidence. Whilst the EU does not have a united policy towards BRI some countries, particularly in Eastern Europe have been more receptive. This includes Belarus which is not formally part of the EU but participates in the EU’s Eastern Partnership. It would signal a decisive shift in strategic direction and historic allegiances were Western European countries to align more closely with BRI. China has been clever in presenting BRI as a development which is open for any countries to participate in – this includes the US.

#### Toosi ‘18

Nahal Toosi, Politico, 24 August 2019, <https://www.politico.com/story/2019/08/24/democrats-trump-foreign-policy-1474308>

Trump’s defenders view the situation differently. They argue that Trump has injected a much-needed dose of truth into the foreign policy conversation, especially on problems that have festered for decades, such as North Korea’s nuclear program. They assert that Trump’s pressure on allies is often aimed at ultimately making them stronger. And while they agree Trump’s rhetoric can go too far, they say his policies are not entirely unconventional. “It’s just a lot about recognizing reality and leveling with the American people,” a senior Trump administration official said. “This administration is adhering to the rule of law and is telling the truth about the world. I’d say that’s a lot more durable than the last administration’s approach.”

#### Burchard ‘19

Hans Von Der Burchard, Politico, 21 July 2019, <https://www.politico.eu/article/europe-braces-for-trump-trade-war/>

His 2020 reelection campaign risks escalating the conflict, Hufbauer said: "Trump really believes that confrontation with foreign countries gets him votes." In an interview with POLITICO on Thursday, U.S. ambassador to the EU Gordon Sondland said Brussels should [get ready for "less whining, more action"](https://www.politico.eu/pro/donald-trump-trade-europe-us-ambassador-gordon-sondland-calls-on-ursula-von-der-leyen-to-restart-trade-talks/) from the Trump administration and warned that Washington had "a whole bunch of different tools" at its disposal, including car tariffs, that will have "immediate financial consequences for our friends in Europe.”

#### Heeb ’19

Gina Heeb, Markets Insider, 7-23-2019 ~"Trump'S Proposed Car Tariffs Could Trigger A Global Growth Recession, Baml Says", <https://markets.businessinsider.com/news/stocks/trump-tariffs-cars-could-trigger-global-growth-recession-baml-2019-2-1027973273 7-24-2019>

A Commerce Department report submitted to the White House this week was widely expected to present auto imports as a threat to national security, giving Trump 90 days to decide whether to follow through with threats to impose import taxes of 20 to 25 on vehicles and parts. While that could benefit some American automakers and reduce bilateral trade deficits, it would also risk adding thousands of dollars to the price of vehicles, and raises the threat of retaliatory duties that could worsen global trade tensions. "In a worst case scenario, full¬blown tit¬for¬tat auto tariffs could trigger a global recession," analysts at Bank of America Merrill Lynch wrote in a research note out this week, adding they would expect growth in the world economy to fall nearly a percentage point to 1.2. By increasing the price of vehicles and imported materials, they could threaten jobs, consumer spending, and investment. The analysts estimated that they would add $2,000 to $7,000 to price tags of both imported and American-made vehicles, posing even greater risks than the global trade tensions that emerged last year. "The auto tariffs will directly hit consumers in a way that the other tariffs have not," the analysts said. "We have to consider the direct impact via auto sales and production as well as the indirect through a confidence shock."

Amadeo ’19, <https://www.thebalance.com/trade-wars-definition-how-it-affects-you-4159973>

The 1930 [Smoot-Hawley Tariff](https://www.thebalance.com/smoot-hawley-tariff-lessons-today-4136667) was a trade war that worsened the [Great Depression](https://www.thebalance.com/the-great-depression-of-1929-3306033). It increased 900 import tariffs by an average of 40% to 48%. Smoot-Hawley was designed to support U.S. farmers who had been ravaged by the [Dust Bowl](https://www.thebalance.com/what-was-the-dust-bowl-causes-and-effects-3305689). But it also raised food prices for Americans who were already suffering from the [Great Depression](https://www.thebalance.com/the-great-depression-of-1929-3306033). Other countries retaliated with their own tariffs. The trade war reduced [international trade](https://www.thebalance.com/international-trade-pros-cons-effect-on-economy-3305579) by 65%. It turned a recession into a [depression](https://www.thebalance.com/what-is-an-economic-depression-3306013) and contributed to the start of [World War II](https://www.thebalance.com/world-war-ii-economic-impact-4570917).

#### 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)).

#### 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.

#### 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.

## C2 – Reform

#### Elmer ’19

Keegan Elmer, 27 April 2019, South China Morning Post, <https://www.scmp.com/news/china/diplomacy/article/3007878/eus-connectivity-plan-more-sustainable-beijings-belt-and-road>

The EU’s strategy for connecting Europe and Asia is greener and more sustainable than China’s “ [Belt and Road Initiative](https://multimedia.scmp.com/news/china/article/3007692/belt-and-road/)”, but there remains scope for the two sides to work together, a senior European official said on Friday. Speaking in an interview on the sidelines of the second Belt and Road Forum in Beijing, European Commission Vice-President Maros Sefcovic said the European Union would be happy to increase its cooperation with Beijing as long as it could improve the transparency of its grand plan for boosting trade and infrastructure. “For us, connectivity is a little bit wider than the concept covered by the belt and road,” he said of the EU’s global development ambitions. “We [The EU] focus[es] on sustainable financing, avoid debt traps and always do our due diligence. We are also very careful about environmental assessments and the impact {of projects} on the public. This is something that makes the European approach to infrastructure very attractive.” The EU released its connectivity plan for Asia last year, with the promise to redouble its efforts to build transport, digital and energy infrastructure across a region in which China is already very active. Sefcovic, who said in a recent article that countries were [are] increasingly turning to the EU for their connectivity needs, was the first senior official to meet Chinese Premier Li Keqiang when the forum opened on Thursday. He said he told Li that Europe was happy to boost trade with China – currently worth about €1.6 billion (US$1.78 billion) a day – and cooperation on the belt and road, as long as Beijing dealt with the concerns of European businesses. At the EU-China Summit in Brussels last month, several member states [threatened to walk away](https://www.scmp.com/news/china/diplomacy/article/3005470/joint-statement-threat-eu-diplomats-nearly-walked-out-talks) from the talks as a result of Beijing’s failure to follow through on its promises for market reforms. It was only at the last minute that a [joint statement](https://www.scmp.com/news/china/diplomacy/article/3005604/hopes-high-eu-china-joint-statement-opening-more-just-words) – in which the two sides agreed to create a mechanism for monitoring each other’s pledges regarding the opening up of their markets – was drafted and approved. “Our trade relationship has become so important that it forces the EU to have a very close look at the current and future relationship with China,” Sefcovic said. “Therefore we spent quite a lot of time discussing our relationship, which was reflected in our new China strategy.”

#### Cameron ’18

Fraser Cameron, 19 September 2018, The Diplomat, <https://thediplomat.com/2018/09/europes-answer-to-chinas-belt-and-road/>

Today’s [The] adoption by the European Commission of a new “Connectivity Strategy” linking Europe and Asia throws down the gauntlet to an increasingly assertive China. The new strategy, released on September 19, will offer a different approach to that taken by Beijing with its flagship Belt and Road Initiative (BRI). The EU emphasis is on sustainability, proposing that investments should respect labor rights, not create political or financial dependencies, and guarantee a level playing field for businesses. Given the rapidity of China’s economic development in the past 30 years, it has taken the EU some time to acknowledge the growing power and influence of Beijing. Not only has China become a trading giant, it sits on the world’s largest currency reserves and is an increasingly important provider of foreign investment, including in Europe. Recently, however, a number of developments have generated a sense of caution among European politicians and policymakers. China’s refusal to tackle the dominant position of its state-owned enterprises led the EU to refuse to grant China market economy status. Beijing’s targeting of European technology has also led to plans for screening of Chinese investments in Europe. But it was the massive infrastructure investments under BRI that raised the most concerns in Brussels, as well as Washington, New Delhi, and other capitals, about the implications of China’s approach. This spring, EU ambassadors in China penned a report critical of the BRI for being economically, environmentally, socially, and financially unsustainable. The report also criticized China for discriminating against foreign businesses, the lack of transparent bidding processes, and the limited market access for European businesses in China. China’s involvement in the EU and its neighborhood also rang warning bells. In 2014, Montenegro concluded an agreement with China Exim Bank on the financing for 85 percent of a highway construction project, with the estimated cost close to 25 percent of the country’s GDP. The IMF has repeatedly stated that construction should only continue on the basis of concessional funds. Many believe that a debt default is likely, which may result in the involuntary handover of critical infrastructure to China. There is already worrying precedent in that regard. Sri Lanka has been unable to repay Chinese loans for the construction of the Hambantota port. As a result, the port and surrounding acres of land, strategically located at the crossroads of the Indian Ocean, the Bay of Bengal and the Arabian Sea, will now be under Chinese control until the year 2116. Likewise, China’s entire or partial acquisition of ports in Belgium, the Netherlands, Spain, Italy, and most notably Greece, has not gone unnoticed. Without serious hindrance, China is buying up critical infrastructure in Europe, whereas European foreign direct investment in China is decreasing. China has already reaped some political benefit from these investments, with some EU member states blocking resolutions critical of human rights in China or condemning Beijing’s conduct in the South China Sea. Similarly, European officials have also questioned the environmental and economic sustainability of various Chinese connectivity projects. The planned construction of six coal-based power plants in Pakistan, whose joint output capacity equals 27 percent of the country’s current capacity, has been criticized as environmentally unsustainable. These examples have increased EU concerns as China has expanded its influence in Asia, Central Asia, and Europe. This influence is not only about money and politics. It also extends to technical standards and distorting trade flows. But the EU was well aware that mere peer pressure would not drive China to reconsider its strategy. To secure its own political and economic interests, the EU had to put forward an ambitious and comprehensive response, which was to strengthen its own links with the host countries and to present them with a credible and sustainable alternative offer for connectivity financing. The new strategy will give Asian and European states a much clearer idea on the basis of which the EU wishes to engage with them, and what they can expect.

#### Emmott ’18

Robin Emmott, Reuters, 19 September 2018, <https://www.reuters.com/article/us-eu-asia/eu-unveils-asia-infrastructure-plan-denies-rivalry-with-china-idUSKCN1LZ1XF>

Jan Weidenfeld, an expert on Europe-China relations at the Mercator Institute for Chinese Studies (MERICS) in Berlin, said the EU plan was “very much a response to Belt and Road.” “The main message is that when you’re creating large-scale infrastructure projects, you need to abide by certain norms or standards, whether they be environmental or financial. The EU sees a window of opportunity to steer Chinese policies here,” Weidenfeld said.

#### Herrero & Xu ’19

Alicia García-Herrero & Jianwei Xu, February 2019, “Countries’ perceptions of China’s Belt and Road Initiative: A big data analysis”, Bruegel Working Paper. <https://bruegel.org/wp-content/uploads/2019/02/WP-2019-01final.pdf>

The fact that the BRI is backfiring is not only demonstrated in its worsening image globally, but also by the announcement of alternative proposals both by the US, through the Indo-Pacific Strategy with Australia, India and Japan, and the European Union, in the form of its EU-Asia Connectivity Plan. The US confronts mainly the geopolitical aspects of the BRI, as it focuses on the political and military coordination among states in the Indo-Pacific region through the Quadrilateral Security Dialogue (QUAD). The European Union’s response, on the other hand, is clearly narrower, focusing on the economics behind the BRI, in particular on physical connectivity. Beyond the Indo-Pacific Strategy, the US-led trade war could also be seen as an economic response to China’s rise, not only domestically, but also in other countries through BRI. Although the response seems painful for China, it is not a completely disastrous as it provides an opportunity for the big country to learn how to acquire international soft power. In fact, such backlash offers China an opportunity to shift from its earlier BRI strategy to a more sustainable one. China seems to be realising that creating confrontation with the US might not be a winning strategy in spite of the economic benefits. Given the diminishing returns on investment, China needs to expand in the overseas markets. Against this backdrop, the next step for China’s Belt and Road is definitely to take a more flexible and open pathway to building its soft-power image. To that end, China has recently made a number of strategic changes regarding the BRI, which have probably remained unnoticed given the much more low-key approach. First, China has sharply increased the number of countries signing memorandums of understanding (MOUs) from the original 63 to 126. The key is to make the Belt and Road less targeted to ease the West’s geopolitical concerns about this project. Second, China is trying to use a more multilateral framework to push the BRI, i.e. the Asian Infrastructure Investment Bank (AIIB). Such multilateral framework retains Chinese characteristics, allowing China to keep ultimate control of key projects, but at the same time offers room for other developed countries to get involved, especially the European countries and Korea. In other words, China is willing to make compromises and share benefits with other countries, but it ultimately strives to preserve the BRI’s non-Western model.

#### Hillman ‘19

Jonathan Hillman, 20 June 2019, Axios, <https://www.axios.com/without-reforms-chinas-belt-and-road-projects-could-fall-short-23c1eee7-be8a-4e30-b57b-fc494578560c.html>

Yes, but: Building infrastructure does not automatically create value, the study warns. Success depends on picking the right projects and delivering them effectively, otherwise they destroy more value than they create. While Chinese officials sell the BRI as “win-win,” some partner countries, like Mongolia and Tajikistan, could lose out as the costs of infrastructure exceed the gains. They also face particularly [high risks](https://urldefense.proofpoint.com/v2/url?u=https-3A__www.cgdev.org_sites_default_files_examining-2Ddebt-2Dimplications-2Dbelt-2Dand-2Droad-2Dinitiative-2Dpolicy-2Dperspective.pdf&d=DwMFaQ&c=lTFYvTKl9NjBtWucofDMxg&r=MF8TMHb43cbSHE7Om7KPq_tpkp0XTkE9hLgPzMqvQoA&m=XD06fu5AI3hcYHLrLsN9cyu4EulX7i4oQRb99Nmjy0k&s=YTJD2vziajArXa_NqHNh3ILxYRgBWhWSR8kQJjIi2ic&e=) of default from BRI–related financing. About half of BRI transportation projects are expected to provide little value, according to another recent World Bank [study](https://urldefense.proofpoint.com/v2/url?u=http-3A__documents.worldbank.org_curated_en_333001554988427234_pdf_Assessing-2Dthe-2DValue-2Dof-2DMarket-2DAccess-2Dfrom-2DBelt-2Dand-2DRoad-2DProjects.pdf&d=DwMFaQ&c=lTFYvTKl9NjBtWucofDMxg&r=MF8TMHb43cbSHE7Om7KPq_tpkp0XTkE9hLgPzMqvQoA&m=XD06fu5AI3hcYHLrLsN9cyu4EulX7i4oQRb99Nmjy0k&s=Q-JfNtr5ZCLwRuPo6XViSEUzphaBXOQEv3ov6XKA_Zs&e=). Where it stands: China likes the BRI just the way it is. Part of the problem is that its state-owned enterprises are eager to build regardless of economic viability; having poured [more concrete](https://urldefense.proofpoint.com/v2/url?u=https-3A__www.washingtonpost.com_news_wonk_wp_2015_03_24_how-2Dchina-2Dused-2Dmore-2Dcement-2Din-2D3-2Dyears-2Dthan-2Dthe-2Du-2Ds-2Ddid-2Din-2Dthe-2Dentire-2D20th-2Dcentury_-3Futm-5Fterm-3D.c781cfc70db5&d=DwMFaQ&c=lTFYvTKl9NjBtWucofDMxg&r=MF8TMHb43cbSHE7Om7KPq_tpkp0XTkE9hLgPzMqvQoA&m=XD06fu5AI3hcYHLrLsN9cyu4EulX7i4oQRb99Nmjy0k&s=pc5QRhpUMSTtqr7prp_B0V7yia0C1j_6DEaPE2HixGs&e=) between 2011 and 2013 than the United States used during the entire 20th century, they have run out of things to build at home. In the absence of transparency and effective oversight, these firms can bribe local officials in recipient countries to greenlight more and bigger projects.

#### Chin ’18

Stephen Chin, 10 October 2018, The ASEAN Post, <https://theaseanpost.com/article/bri-corruption-magnet>

China’s Belt and Road Initiative (BRI) was intended to empower developing countries with improved infrastructure and trade relations. In the five years since it was mooted, the BRI is now being demonised as a debt-trap that ensnares poor nations into subservience to China. Another unintended consequence is its alleged connection to corruption. Infrastructure projects are notoriously vulnerable to corruption, featuring inflated costs and kickbacks. According to Will Doig in his book, High-Speed Empire, local politicians often have opportunistic motivations to approve BRI projects. They can claim credit for bringing development to their constituents while getting kickbacks for themselves. Interestingly, a large number of BRI-linked countries rank high on the global corruption perception index. This increases the likelihood of corruption when massive funds come to town. In Kyrgyzstan, government officials there were accused of colluding with Chinese contractors to embezzle BRI funds by grossly overpricing project costs. Two former prime ministers were arrested on corruption charges. Allegations of corruption in BRI-related projects have even caused the downfall of several governments. Sri Lanka’s President Mahinda Rajapaksa was ousted in 2015 elections. Malaysia’s decades-long rule by the National Front coalition was ended this year. Likewise, the incumbent party lost in Pakistan’s elections. Most recently, Maldives’ authoritarian President Abdulla Yameen lost in the country’s presidential election.

#### World Bank ’19

18 June 2019, 18 June 2019, <https://www.worldbank.org/en/news/press-release/2019/06/18/success-of-chinas-belt-road-initiative-depends-on-deep-policy-reforms-study-finds>

China’s Belt and Road Initiative (BRI) could speed up economic development and reduce poverty for dozens of developing countries—but it must be accompanied by deep policy reforms that increase transparency, improve debt sustainability, and mitigate environmental, social, and corruption risks, a new World Bank Group study on the BRI transportation corridors has found.

If implemented fully, the initiative could lift 32 million people out of moderate poverty—those who live on less than $3.20 a day, the analysis found. It could boost global trade by up to 6.2 percent, and up to 9.7 percent for corridor economies. Global income could increase by as much 2.9 percent. For low-income corridor economies, foreign direct investment could rise by as much as 7.6 percent. At the same time, the cost of BRI-related infrastructure could outweigh the potential gains for some countries.

# FRONTLINES

### F/L EU Connectivity Plan Has No Funding

**Emmott ’18** writes that the plan is backed by funds from the EU’s common budget, private sector loans, and development banks, and the EU has set up a $70 billion fund that would act as insurance for investors if projects fail which will raise over $300 billion euros.

#### Emmott ’18

Robin Emmott, Reuters, 19 September 2018, <https://www.reuters.com/article/us-eu-asia/eu-unveils-asia-infrastructure-plan-denies-rivalry-with-china-idUSKCN1LZ1XF>

The plan, which would be backed by additional funds from the EU’s common budget from 2021, private sector loans and development banks, amounts to a strategic response to China’s largesse in much of central Asia and south-eastern Europe, where Beijing has invested billions of dollars. The 13-page strategy outlined by the EU executive did not specify how much the bloc would spend, but the Commission is relying on a proposed 60 billion euro ($70 billion) fund that would act as an insurance for investors if projects fail. That fund could raise more than 300 billion euros between 2021 and 2027 by attracting investors into projects by offering a guarantee to cover the costs if a project fails. Although not all money would be spent in Asia, the Commission’s strategy, once agreed by EU governments, would make spending on infrastructure links with Asia official EU policy.

### F/L Tariffs NQ

1) The US has agreed to negotiate with the EU instead of imposing tariffs in the squo. Trump has agreed with the EU to refrain from unilateral action in favor of negotiating a trade pact.

#### Baschuk ’19, Bryce Baschuk, Bloomberg, 4 September 2019, <https://www.bloomberg.com/news/articles/2019-09-04/eu-trade-chief-says-u-s-car-tariff-threat-not-based-on-facts>

President Donald Trump’s threat to levy tariffs on foreign automobiles draws on a loophole in international trade rules that permits countries to take “any action” they deem necessary to protect their national security. Washington has already hit the EU with duties on its steel and aluminum exports using the same national-security justification. The threat of U.S. auto tariffs has been on ice since Trump and European Commission President Jean-Claude Juncker agreed to refrain from “unilateral actions” while the EU and the U.S. endeavor to negotiate a trade pact.