We Negate, *Resolved:* The European Union should join the Belt and Road Initiative

Our First Contention is maintaining peace across the Atlantic.

Helen of DPA International just last week writes that the EU and the US are seeking a reset in trade relations, eager to enter negotiations on trade.

In fact, **Al Jareeza in 2019** reports that both the EU and the US are close to a trade deal, and avoiding the usage of tariffs.

However, in a world where the EU joins China's Belt and Road Initiative, the economic relationship would crater.

Thomas of Foreign Policy in 2019 writes that because the Belt and Road runs counter to Trump's geopolitical interests, the EU joining the BRI would inflame tensions in the transatlantic trade relationship.

The impact is two fold.

First is Auto Tariffs.

Thomas indicates that the only form of incentive left for Trump to punish Europe are tariffs on European Cars.

This would be disastrous for economic growth. **Heeb of Market Insider in 2019** writes that European car exports to the US are a huge part of the EU economy, and as a result cause a global recession, depressing global economic growth by 1.2%.

Second is blowing up trade negotiations.

Not completing the EU-US trade deal would fail to capitalize on potential economic growth, with **The Balance writing in 2018** that the trade deal would raise the GDP of Europe by 3.5% and the US's by 5%, pulling tens of millions of people out of poverty.

Overall, because both economies are globally intertwined, **Kituyi of Aerta News in 2019** finds that trade tensions between the EU and the US would make it harder and nearly impossible to uplift hundreds of millions of people out of poverty around the world.

Contention 2 is sparking a debt crisis.

The Belt and Road Initiative would expand with Europe's help in two ways.

First by increasing domestic legitimacy.

Jamestown 18' finds that domestic criticism from chinese elites is causing China to downscale the BRI. He furthers that China has kept their ambitions for the BRI modest because of this domestic criticism.

The EU joining would legitimize the initiative, thus encouraging further domestic funding of the Belt and Road.

For example, **Poggeti '19** explains that Italy's joining the BRI was politically significant, as it eased domestic fears that the BRI had a bad reputation, boosting legitimacy significantly.

Second by co-financing BRI projects.

The EU has recently unveiled a large-scale infrastructure project called the Juncker Plan.

Casarini 15 of the Institute for International Affairs writes that the EU plan totals more than 300 billion euros, and that policymakers have suggested a joint BRI-EU investment fund to allow for co-financing.

Hererro 17 for the University of Hong Kong confirms that it makes sense for the EU to fill in the funding gap - it would allow them to further their own interests of infrastructure.

Expanding the Belt and Road Initiative would be devastating for the Developing World's economic health.

Greer of Foreign Policy in 2018 writes that China chooses BRI projects based on geopolitical interests, rather than viability, which is why he finds that none of the BRI projects in the Indian Ocean will be financially successful.

Additionally, Varma of BN in 2018 writes that BRI projects face extensive delays, cost overruns, and lack of long term support, cutting off any hope of long term profitability.

For these reasons, Cout of Oxford Review in 2018 writes that over half of China's infrastructure investments cost more than the benefits they generate, destroying economic value rather than creating it, and forcing countries to pay for inoperable projects.

Even worse, BRI projects use terrible lending practices, further exacerbating the debt taken.

Sebastian of the Kiel Institute in 2019 writes that Chinese loans have much higher interest rates than standard while being accompanied by shorter maturities and shorter grace periods.

Because of this, Sharma of Bloomberg in 2019 writes that countries that see the most BRI investment are seeing their debt levels skyrockets, on path to reach the 1980s debt crisis levels.

Overall, because of project failures and bad lending practices, The World Bank in 2019 concludes that 37% of BRI countries see their GDP to Debt Ratio rise.

Especially for developing nations, taking on debt is a death sentence for development.

While infrastructure does produce benefits, Moody Analytics in 2019 finds that the debt take on from BRI undermines spending on other areas of the economy and overall hurts growth prospects in the long term.

For example, in Nigeria, 60% of revenue now goes towards debt servicing, cutting funding towards sectors such as Education and Health, stopping the developmental process as most Developing countries have young populations.

Because of this tradeoff, Research Gate in 2018 confirms that a 1% increase in debt increases poverty by .35%.

History proves, as the last time developing nations neared a debt crisis, the JDC in 2012 found that nearly two hundred million people were pushed into poverty in the developing world.

Thus, we negate.

EU-Japan Connectivity plan was 60 billion dollars--->affirming means no connecitivty plan--->Eu funding for infra. Is good

Nicola **Casarini**, Institute for International Affairs, "Is Europe to Benefit from China's Belt and Road Initiative?", October **2015**, https://www.iai.it/sites/default/files/iaiwp1540.pdf

Totalling 315 billion euros, Juncker's plan aims at relaunching Europe's growth and job creation in sectors ranging from innovation to research, education, and transport infrastructure. **The Belt and Road initiative, on the other hand, serves the purpose of reviving the Chinese economy,** now at a historical juncture transitioning from export-oriented growth to a new model based on consumption and outward investment. Loans for infrastructure projects abroad are expected to contribute to upgrading the Chinese economy at a time of domestic overcapacity and to the restructuring of various sectors, including heavy industries involved in the building and maintenance of transportation and energy infrastructure. Trade financing would serve to maintain existing – as well as find new – markets for Chinese products. **Policymakers in Brussels and**

Beijing are currently identifying appropriate cooperation mechanisms between Xi's Belt and Road and Juncker's Fund. Ideas presented so far include the establishment of a China-EU joint investment fund to support project shareholding, joint contracting and co-financing.4 Infrastructure projects in Southeast Europe and the Mediterranean are likely to become the first concrete examples of this enhanced Sino-European connectivity

Taken out: For example, Al Jareeza furthers that Trump postponed further tariffs and signed a miniature trade deal with the EU, as a symbol of progress.

https://www.worldbank.org/en/topic/socialprotectionandjobs/publication/the-state-of-social-safety-nets-2018-Impact of Social Safety Nets

- **An estimated 36 percent of the very poor escaped extreme poverty because of social safety nets, providing clear evidence that social safety net programs are making a substantial impact in the global fight against poverty.**
- **In developing and transition countries, 2.5 billion people are covered by safety net programs. Of these, 650 million people are from the poorest quintile.**
- **Yet, in low-income countries, only 1 in 5 of the poorest are covered by safety net programs.**

Data from report shows that safety nets—which include **cash, in-kind transfers, social pensions, public works, and school feeding programs** targeted to poor and vulnerable households—also l**ower inequality, and reduce the poverty gap by about 45 percent, even if they do not emerge from poverty.** These positive effects of safety net transfers hold true for low and middle-income countries alike. Developing and transition countries spend an average of 1.5 percent of GDP on safety net programs. Europe and Central Asia currently spends the most, with average spending of 2.2 percent of GDP; the Sub-Saharan Africa and Latin America and the Caribbean regions are in the middle of the spending range; and the Middle East and North Africa and South Asia regions spend the least, at 1.0 percent and 0.9 percent, respectively. **A growing commitment to safety nets is also evident; many countries tend to spend more on these programs over time. The increase in spending has translated into a substantial increase in program coverage around the world.Analysis also shows that on average, all types of programs tend to favor the poor.**

1 percent increase in debt increases poverty by 0.35%, GDP growth actually increases poverty; only spending on infra+health actually decreases it

> **https://www.researchgate.net/publication/316145520_Does_external_debt-poverty_relationship_confirm_the_debtoverhang_hypothesis_for_developing_counties**
> **This paper explores the casual relationship between external debt and poverty using panel data for 25 developing countries over the period 2000-2015**. The results for the heterogeneous panel cointegration test reveal a long-run equilibrium relationship between poverty, external debt, GDP per capita, gross domestic fixed investment,education level, infrastructure, health condition and openness. **This long run relationship indicates that a 1 percent in external debt increases poverty by 0.35 percent; a 1 percent increase in GDP per capita increases poverty by 1.76 percent; a 1 percent increase in real gross fixed capital formation increases poverty by 3.63 percent;** a 1 percent increase in health condition decreases poverty by 1.68 percent; a 1 percent increase in infrastructure decreases poverty by 4.53 percent; and a 1 percent increase in trade openness decreases poverty by 1 percent. The estimation of a panel vector error correction model indicates the presence of both short-run and long-run bidirectional causality between external debt and poverty.**This result shows that a higher external debt increases poverty. Thus, a high debt service impacts negatively the social spending by reducing government resources allocated to poor such as education and health. Moreover,in the long run, high indebtedness decline capital inflows, reduce investment in social sectors and affect poverty through income. In addition, country with high external debt are perceived as risky for investment by financial markets and donors. Thus, reduce growth and economic infrastructure expenditures. However, resources misallocation, political instability and corruption, increase social inequalities and poverty.**

Nigeria example (spending 60% of revenue on debt means education and health sectors aren't funded)

With debt becoming a growing burden on government revenues, Ekeruche told *World Finance* that a**nother important factor to consider is the opportunity cost of loan repayments – in other words, identifying which sectors are missing out on funding**. **"In Nigeria, for instance, 60 percent of our government revenues go towards debt servicing,**" Ekeruche said. "To contextualise this, imagine that an **individual making £1 [$1.27] pays £0.60 [$0.76] to creditors.** "I think that **critical development sectors are being underfunded as a result of the large amount going towards servicing debt. Education and health sectors are critical sectors for us, particularly since we have a very young population. Failure to pay sufficient attention to these sectors will have long-term consequences."**

When Thailand got BRI it increased pressure on their tax base, cut social spending, and reduced its long-term productivity.

https://www.moodysanalytics.com/-/media/article/2019/belt-and-road-initiative.pdf- **While Thailand's debt burde**n at the end of the forecast period still **appears manageable**, it is notable given that **it has an aging population at a time of relatively low economic development**. Thailand's working-age population, which already is beginning to shrink, will have to support a rising number of dependents. The **implication** for this ***can be serious,*** **as pressure on the tax base increases. As countries allocate more of their budget towards debt service** and benefits for the ageing, **there remains less money to invest in human capital. This results in a reduction in** the **country's long-term productivity, which in turn decreases potential GDP growth.**

2nd one https://www.moodysanalytics.com/-/media/article/2019/belt-and-road-initiative.pdf-

Implications of High Debt on countries

Although the benefits of **improving infrastructure** are not in question, doing so **while incurring a rising debt burden can have negative implications for a country**. **Large debt** overhangs **could undermine spending on other areas of the economy** that are also **in need and hurt growth prospects in the process. Instead of benefiting** from the infrastructure investments made by China, they **[countries] could end up treading water in economic developmen**t and se**rving more as a way station for transient goods destined for richer, and perhaps less indebted countries. This is especially relevant given that participants are overwhelmingly developing economies.**

BRI loans are higher interest rates, shorter maturities

https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/Christoph_Trebesch/KWP_2132.pdf-

For China, we use the debt stock and debt servicing estimates constructed from loan-level data (see Section 2.2) to derive both total and hidden interest and amortization flows. **It is evident that** the rebound **[increase] in external debt levels** in Figure 17 above **has been accompanied by a more than proportional increase in debt service paymen**t in Figure 18. Figure 18. “Hidden” debt service payments to China Notes: The black line shows median external, public and private, debt service payments to GDP according to the World Banks’ International Debt Statistics for different country groups (interest payments plus principal). On top of this, we add median, upper quartile and upper decile, hidden debt service payments to China (red shaded areas). Estimates of hidden debt service are based on loan-level and creditor-level data (see Appendix I). **The main explanation for the over-proportional increase in debt servicing costs is** that **China tends to lend** at market terms, **with interest rates that are significantly higher than** those paid to the **other main creditors**, **in particular** compared to the low, concessionary rates on **World Bank loans or on bilateral loans by OECD governments**. In addition, **the maturity and grace periods** of Chinese loans **tend to be shorter than those on** the **remainder of** the **debt, which increases annual debt service amounts** (see Section 2.4). 28 In sum, **despite benign global conditions and record-low US and other advanced economy interest rates, debt service payments by low-income and emerging market countries have been on the rise, as debt stocks climbed. A subgroup of low-income countries is close to reaching the pre-HIPC levels, with Chinese lending being one of the main drivers.**

More c

EU cofinances/domestic legitimacy → more projects

Projects don’t work → no econ benefit

Bad projects = huge debt takeon

Higher debt→ bad impacts

A2: EU can change practices

BRI already behing used to divide EU

https://www.dw.com/en/sierens-china-a-rocky-silk-road/a-50518836

There is also another accusation that is not quite right: China is not trying to split the European Union. It is the governments of certain EU member states themselves which are using investments into the New Silk Road project to free themselves from Brussels' micro-managing. For example, the Hungarian government, although it receives large sums of money from the EU, is often happy to veto any EU attempt to issue a joint declaration criticizing China because it hopes to receive more money from Beijing in future. This approach also seems to goes down better with voters than trying to find a compromise with Brussels.

An an overview, we are winning the link debate about whether BRI projects suck or not for two reasons

1/ on comparative: cout does the comparative of CH infra investment and concludes that on net bri projects destroy economic value
2/ on history: greer looks at past bri project and finds that they financially fail, pref on probability bc what happened in the past is more likelier to happen in future

If we win this overview

a) This is terminal defense on their case that at the very least projects won't produce benefits
b) We win the round as bri on net hurts these countries
c)