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\*\*\*ECONOMY

# NO IMPACT TO ECON

**No Impact:**

**A) Economic collapse does not cause war—their historical arguments are wrong**

FERGUSON 2006 (Niall, MA, D.Phil., is the Laurence A. Tisch Professor of History at Harvard University. He is a resident faculty member of the Minda de Gunzburg Center for European Studies. He is also a Senior Reseach Fellow of Jesus College, Oxford University, and a Senior Fellow of the Hoover Institution, Stanford University, Foreign Affairs, Sept/Oct)

Nor can economic crises explain the bloodshed. What may be the most familiar causal chain in modern historiography links the Great Depression to the rise of fascism and the outbreak of World War II. But that simple story leaves too much out. Nazi Germany started the war in Europe only after its economy had recovered. Not all the countries affected by the Great Depression were taken over by fascist regimes, nor did all such regimes start wars of aggression. In fact, no general relationship between economics and conflict is discernible for the century as a whole. Some wars came after periods of growth, others were the causes rather than the consequences of economic catastrophe, and some severe economic crises were not followed by wars.

**B) The economy is resilient**

**Washington Times 2008** - chief political correspondent of The Washington Times (7/28/08, Donald Lambro, The Washington Times, "Always darkest before dawn", lexis, WEA)

The doom-and-gloomers are still with us, of course, and they will go to their graves forecasting that life as we know it is coming to an end and that we are in for years of economic depression and recession. Last week, the New York Times ran a Page One story maintaining that Americans were saving less than ever, and that their debt burden had risen by an average of $117,951 per household. And the London Telegraph says there are even harder times ahead, comparing today's economy to the Great Depression of the 1930s. Wall Street economist David Malpass thinks that kind of fearmongering is filled with manipulated statistics that ignore long-term wealth creation in our country, as well as globally. Increasingly, people are investing "for the long run - for capital gains (not counted in savings) rather than current income - in preparation for retirement," he told his clients last week. Instead of a coming recession, "we think the U.S. is in gradual recovery after a sharp two-quarter slowdown, with consumer resilience more likely than the decades-old expectation of a consumer slump," Mr. Malpass said. "Fed data shows clearly that household savings of all types - liquid, financial and tangible - are still close to the record levels set in September. IMF data shows U.S. households holding more net financial savings than the rest of the world combined. Consumption has repeatedly outperformed expectations in recent quarters and year," he said. The American economy has been pounded by a lot of factors, including the housing collapse (a needed correction to bring home prices down to earth), the mortgage scandal and the meteoric rise in oil and gas prices. But this $14 trillion economy, though slowing down, continues to grow by about 1 percent on an annualized basis, confounding the pessimists who said we were plunging into a recession, defined by negative growth over two quarters. That has not happened - yet. Call me a cockeyed optimist, but I do not think we are heading into a recession. On the contrary, I'm more bullish than ever on our economy's long-term prospects.

**C) Economic forecasts are wrong**

**SHERDEN 1998** (William, business consultant, The Fortune Sellers)

Today it is the generally perceived poor track record of economists that has caused the nickname to stick. Consider a 1995 *Business Week* article, entitled “A D+ for Dismal Scientists? Even the Fed’s Gurus Often Goof,” and a 1996 *Forbes* article, “Dismal Days for the Dismal Science.” Economic forecasters have routinely failed to foresee turning points in the economy: the coming of severe recessions, the start of recoveries, and periods of rapid increases or decreases in inflation. It is jokingly said that economists have forecast nine of the last five recessions. In fact, they have failed to predict the past four most severe recessions and most of them predicted growth instead for these periods. After the October 1987 stock market crash, most economists predicted a severe downturn in the economy similar to what happened after the 1929 stock market crash, yet during the last quarter of 1987, the economy continued expanding vigorously. Like all other types of forecasters, economists’ vision of the future is clearly clouded with situational bias.

# A2: MEAD / WORLD WAR II

**The only warrant in their mead card is a vague reference to World War Two—this is wrong—**

**First, extend our Ferguson evidence—the Depression cannot explain World War Two—it did not cause fascism everywhere, and even when it did, this did not always cause war. Germany only started the war after a long period of recovery, so this makes no sense**

**Second, World War Two was a unique event with many causes—the Treaty of Versailles, offensive military theory, ideologies, the individual psychology of Hitler, the decline of colonialism, appeasement, the geographic position of Germany, and the power balance in Europe all helped cause the war—the Depression wasn’t a proximate cause of the war and it’s impossible to predict future violence because World War II was caused by historically-specific circumstances**

**Third, even if the Depression caused World War Two, this doesn’t mean it can happen again—there have been many financial crises in the last sixty years that did not result in war, like the 1998 Asian Flu, the stagnation following OPEC’s embargo, the recession starting in 2008**

**Here’s more evidence—ninety-three economic downturns since World War Two disprove the link between economy and war**

MILLER 2000 (Morris, Adjunct Professor of Administration at the University of Ottawa, Interdisciplinary Science Reviews, Vol 24 No 4)

The question may be reformulated. Do wars spring from a popular reaction to a sudden economic crisis that exacerbates poverty and growing disparities in wealth and incomes? Perhaps one could argue, as some scholars do, that it is some dramatic event or sequence of such events leading to the exacerbation of poverty that, in turn, leads to this deplorable denouement. This exogenous factor might act as a catalyst for a violent reaction on the part of the people or on the part of the political leadership who would then possibly be tempted to seek a diversion by finding or, if need be, fabricating an enemy and setting in train the process leading to war. According to a study undertaken by Minxin Pei and Ariel Adesnik of the Carnegie endowment for International Peace, there would not appear to be any merit in this hypothesis. After studying ninety-three episodes of economic crisis in twenty-two countries in Latin America and Asia in the years since the Second World War they concluded that: Much of the conventional wisdom about the political impact of economic crises may be wrong…The severity of economic crisis – as measured in terms of inflation and negative growth – bore no relationship to the collapse of regimes…(or, in democratic states, rarely) to an outbreak of violence…In the cases of dictatorships and semi-democracies, the ruling elites responded to crises by increasing repression (thereby using one form of violence to abort another).

**And, contrary historical examples don’t matter—modern economies are different and their theories are wrong**

DEUDNEY 1991 (Daniel, Hewlett Fellow in Science, Technology, and Society at the Center for Energy and Environmental Studies, Princeton University, Bulletin of the Atomic Scientists, April)

Poverty wars. In a second scenario, declining living standards first cause internal turmoil, then war. If groups at all levels of affluence protect their standard of living by pushing deprivation on other groups, class war and revolutionary upheavals could result. Faced with these pressures, liberal democracy and free market systems could increasingly be replaced by authoritarian systems capable of maintaining minimum order. If authoritarian regimes are more war-prone because they lack democratic control, and if revolutionary regimes are war-prone because of their ideological fervor and isolation, then the world is likely to become more violent. The record of previous depressions supports the proposition that widespread economic stagnation and unmet economic expectations contribute to international conflict. Although initially compelling, this scenario has major flaws. One is that it is arguably based on unsound economic theory. Wealth is formed not so much by the availability of cheap natural resources as by capital formation through savings and more efficient production. Many resource-poor countries, like Japan, are very wealthy, while many countries with more extensive resources are poor. Environmental constraints require an end to economic growth based on growing use of raw materials, but not necessarily an end to growth in the production of goods and services. In addition, economic decline does not necessarily produce conflict. How societies respond to economic decline may largely depend upon the rate at which such declines occur. And as people get poorer, they may become less willing to spend scarce resources for military forces. As Bernard Brodie observed about the modern era, “The predisposing factors to military aggression are full bellies, not empty ones.” The experience of economic depressions over the last two centuries may be irrelevant, because such depressions were characterized by under-utilized production capacity and falling resource prices. In the 1930's, increased military spending stimulated economies, but if economic growth is retarded by environmental constraints, military spending will exacerbate the problem.

**This card uses the same language as the mead 1992 card—pinning your hopes on the world economy will not cause war even if that economy stagnates**

**And, our Sherden evidence answers the internal link—economists are terrible at predicting recessions—they inflate the risk of massive collapses and fail to predict the smaller ones**

**Finally, Walter Russell Mead sucks. He never went to graduate school; his BA is in English Literature; and he has been writing economy impact cards for twenty years, despite being disproven every single time. It would be a better bet taking financial advice from a Nigerian prince over the Internet**

# A2: LEWIS / COLONIAL WAR

**Their Lewis evidence says that countries will fight wars to prevent people from dropping out of the world economy—this is wrong—**

**First, extend our Ferguson evidence—history shows no correlation between economic collapse and war—there’s no data to support their argument and past economic downturns like the Asian Flu in 1998 did not result in war. Our Sherden evidence says economist are terrible at predictions—they inflate the risk of large downturns and miss the small ones**

**Second, it’s empirically false—Belarus, Cuba, Zimbabwe, Mongolia, and Burma have almost no participation in the world economy—none of them are targets for nuclear colonial wars**

**And, this makes no sense—great powers would lose more than they gained by attempts to subdue other states**

**DEUDNEY 1999** (Daniel, Asst Prof of Poli Sci at Johns Hopkins, Contested Grounds: Security and Conflict in the New Environmental Politics )

Second, the prospects for resource wars are diminished by the growing difficulty that states face in obtaining resources through territorial conquest. Although the invention of nuclear explosives has made it easy and cheap to annihilate humans and infrastructure in extensive areas, the spread of conventional weaponry and national consciousness has made it very costly for an invader, even one equipped with advanced technology, to subdue a resisting population, as France discovered in Indochina and Algeria, the United States in Vietnam, and the Soviet Union in Afghanistan. 45 At the lower levels of violence capability that matter most for conquering and subduing territory, the great powers have lost effective military superiority and are unlikely soon to regain it.

**And, changes in relative economic power don’t cause states to lash out or go to war–Germany and Japan prove**

**DEUDNEY 1999** (Daniel, Asst Prof of Poli Sci at Johns Hopkins, Contested Grounds: Security and Conflict in the New Environmental Politics )

Alterations in the relative power of states are unlikely to lead to war as readily as the lessons of history suggest because economic power and military power are not as tightly coupled as in the past. The relative economic power position of major states such as Germany and Japan has changed greatly since the end of World War II. But these changes, while requiring many complex adjustments in interstate relations, have not been accompanied by war or the threat of war. In the contemporary world, whole industries rise, fall, and relocate, often causing quite substantial fluctuations in the economic well-being of regions and peoples, without producing wars. There is no reason to believe that changes in relative wealth and power positions caused by the uneven impact of environmental degradation would be different in their effects.

# A2: BEARDEN / RESOURCE WARS

**Their Bearden evidence assumes economic collapse from resource scarcity would cause a global war—this is wrong**

**First, Bearden is a tool—he thinks zero point energy is the only way to save us, and he predicted collapse for 2003—it’s either inevitable, or Bearden is an idiot**

**BEARDEN 2000** (Lt. Col. Tom, PhD in Nuclear Engineering, “Zero-Point Energy”, April 25, http://www.cheniere.org/correspondence/042500%20-%20modified.htm)

So in my view we have about three years from now, counting, in which we must have changed the scientific mindset and be in a massive production of self-powering electrical power systems taking their energy from the vacuum. Otherwise, we will have overrun the "point of no return" to Armageddon—an Armageddon of our own making and our own ignorance, and largely contributed to by our organized scientific community. Science has the power to save us or destroy us, and right now it is bent upon the "business as usual" course that will lead to our destruction.

**Second, resource wars will never occur—there’s no scarcity, costs are too high, and physical control doesn’t matter so there’s no incentive for war**

**DEUDNEY 1999** (Daniel, Asst Prof of Poli Sci at Johns Hopkins, Contested Grounds: Security and Conflict in the New Environmental Politics )

The hypothesis that states will begin fighting each other as natural resources are depleted and degraded seems intuitively accurate. The popular metaphor of a lifeboat adrift at sea with declining supplies of clean water and rations suggests there will be fewer opportunities for positive-sum gains between actors as resource scarcity grows. Many fears of resource war are derived from the cataclysmic world wars of the first half of the twentieth century. Influenced by geopolitical theories that emphasized the importance of land and resources for great power status, Adolf Hitler fashioned Nazi German war aims to achieve resource autonomy. 40 The aggression of Japan was directly related to resource goals: lacking indigenous fuel and minerals, and faced with a slowly tightening embargo by the Western colonial powers in Asia, the Japanese invaded Southeast Asia for oil, tin, and rubber.41 Although the United States had a richer resource endowment than the Axis powers, fears of shortages and industrial strangulation played a central role in the strategic thinking of American elites about world strategy.42 During the Cold War, the presence of natural resources in the Third World helped turn this vast area into an arena for East-West conflict.43 Given this record, the scenario of conflicts over resources playing a powerful role in shaping international order should be taken seriously.However, there are three strong reasons for concluding that the familiar scenarios of resource war are of diminishing plausibility for the foreseeable future. First, the robust character of the world trade system means that states no longer experience resource dependency as a major threat to their military security and political autonomy. During the 1930s, the collapse of the world trading system drove states to pursue economic autarky, but the resource needs of contemporary states are routinely met without territorial control of the resource source. As Ronnie Lipschutz has argued, this means that resource constraints are much less likely to generate interstate violence than in the past.Second, the prospects for resource wars are diminished by the growing difficulty that states face in obtaining resources through territorial conquest. Although the invention of nuclear explosives has made it easy and cheap to annihilate humans and infrastructure in extensive areas, the spread of conventional weaponry and national consciousness has made it very costly for an invader, even one equipped with advanced technology, to subdue a resisting population, as France discovered in Indochina and Algeria, the United States in Vietnam, and the Soviet Union in Afghanistan. 45 At the lower levels of violence capability that matter most for conquering and subduing territory, the great powers have lost effective military superiority and are unlikely soon to regain it. Third, nonrenewable resources are, contrary to intuitive logic, becoming less economically scarce. There is strong evidence that the world is entering what H. E. Goeller and Alvin M. Weinberg have labeled the "age of substitutability," in which industrial technology is increasingly capable of fashioning ubiquitous and plentiful earth materials such as iron, aluminum, silicon, and hydrocarbons into virtually everything needed by modern societies.46 The most striking manifestation of this trend is that prices for virtually every raw material have been stagnant or falling for the last two decades despite the continued growth in world economic output. In contrast to the expectations widely held during the 1970s that resource scarcity would drive up commodity prices to the benefit of Third World raw material suppliers, prices have fallen.47

**Their research is outdated—resource scarcity promotes cooperation not conflict**

**DALBY 2006** (Simon, Dept. Of Geography, Carleton University, "Security and environment linkages revisited" in Globalisation and Environmental Challenges: Reconceptualising Security in the 21st Century, www.ntu.edu.sg/idss/publications/SSIS/SSIS001.pdf)

In parallel with the focus on human security as a necessity in the face of both natural and artificial forms of vulnerability, recent literature has emphasised the opportunities that environmental management presents for political cooperation between states and other political actors, on both largescale infrastructure projects as well as more traditional matters of wildlife and new concerns with biodiversity preservation (Matthew/Halle/Switzer 2002). Simultaneously, the discussion on water wars, and in particular the key finding the shared resources frequently stimulate cooperation rather than conflict, shifted focus from conflict to the possibilities of environmental action as a mode of peacemaking. Both at the international level in terms of environmental diplomacy and institution building, there is considerable evidence of cooperative action on the part of many states (Conca/Dabelko 2002). Case studies from many parts of the world suggest that cooperation and diplomatic arrangements can facilitate peaceful responses to the environmental difficulties in contrast to the pessimism of the 1990’s where the focus was on the potential for conflicts. One recent example of the attempts to resolve difficulties in the case of Lake Victoria suggests a dramatic alternative to the resource war scenarios. The need to curtail over-fishing in the lake and the importance of remediation has encouraged cooperation; scarcities leading to conflict arguments have not been common in the region, and they have not influenced policy prescriptions (Canter/Ndegwa 2002). Many conflicts over the allocations of water use rights continue around the world but most of them are within states and international disputes simply do not have a history of leading to wars.

**Finally, extend our Ferguson evidence—economic decline is not correlated with war—historical evidence disproves their arguments. Our Sherden evidence says economists make terrible predictions—they overestimate large collapses and miss all the small ones**

# A2: ECON KEY TO HEGEMONY

**First, their internal link takes out their impact—if the world economy collapses, other countries will suffer too—the U.S. may be absolutely weaker, but it will still be relatively stronger—economic collapse would prevent other countries from militarizing to challenge us**

**And, even if decline was uneven, this wouldn’t cause conflict or damage hegemony**

**DEUDNEY 1999** (Daniel, Asst Prof of Poli Sci at Johns Hopkins, Contested Grounds: Security and Conflict in the New Environmental Politics )

Alterations in the relative power of states are unlikely to lead to war as readily as the lessons of history suggest because economic power and military power are not as tightly coupled as in the past. The relative economic power position of major states such as Germany and Japan has changed greatly since the end of World War II. But these changes, while requiring many complex adjustments in interstate relations, have not been accompanied by war or the threat of war. In the contemporary world, whole industries rise, fall, and relocate, often causing quite substantial fluctuations in the economic well-being of regions and peoples, without producing wars. There is no reason to believe that changes in relative wealth and power positions caused by the uneven impact of environmental degradation would be different in their effects.

**And, deterrence solves the impact—econ collapse will have no effect**

**DEUDNEY 1999** (Daniel, Asst Prof of Poli Sci at Johns Hopkins, Contested Grounds: Security and Conflict in the New Environmental Politics )

Part of the reason for this loosening of the link between economic and military power has been the nuclear revolution, which has made it relatively cheap for the leading states to deploy staggering levels of violence capacity. Given that the major states field massively oversufficient nuclear forces at the cost of a few percent of their GDP, environmentally induced economic decline would have to be extreme before their ability to field a minimum nuclear deterrent would be jeopardized. A stark example of this new pattern is the fact that the precipitious decline in Russia's economy and defense spending in the 1990s has not diminished Russia's ability to deter great power attack.

**Economic decline doesn’t kill heg—American leadership is unique and their predictions have been denied for decades**

**Blackwill 2009** – former associate dean of the Kennedy School of Government and Deputy Assistant to the President and Deputy National Security Advisor for Strategic Planning (Robert, RAND, “The Geopolitical Consequences of the World Economic Recession—A Caution”, http://www.rand.org/pubs/occasional\_papers/2009/RAND\_OP275.pdf, WEA)

First, the United States, five years from today. Did the global recession weaken the political will of the United States to, over the long term, defend its external interests? Many analysts are already forecasting a “yes” to this question. As a result of what they see as the international loss of faith in the American market economy model and in U.S. leadership, they assert that Washington’s influence in international affairs is bound to recede, indeed is already diminishing. For some, the wish is the father of this thought. But where is the empirical evidence? From South Asia, through relations with China and Russia through the Middle East peace process, through dealing with Iran’s nuclear ambitions and North Korea’s nuclear weaponization and missile activities, through confronting humanitarian crises in Africa and instability in Latin America, the United States has the unchallenged diplomatic lead. Who could charge the Obama Administration with diplomatic passivity since taking office? Indeed, one could instead conclude that the current global economic turbulence is causing countries to seek the familiar and to rely more and not less on their American connection. In any event, foreigners (and some Americans) often underestimate the existential resilience of the United States. In this respect, George Friedman’s new book, The Next Hundred Years,14 and his view that the United States will be as dominant a force in the 21st century as it was in the last half of the 20th century, is worth considering. So once again, those who now predict, as they have in every decade since 1945, American decay and withdrawal will be wrong 15— from John Flynn’s 1955 The Decline of the American Republic and How to Rebuild It,16 to Paul Kennedy’s 1987 The Rise and Fall of Great Powers,17 to Andrew Bacevich’s 2008 The Limits of Power: The End of American Exceptionalism,18 to Godfrey Hodgson’s 2009 The Myth of American Exceptionalism19 and many dozens of similar books in between. Indeed, the policies of the Obama Administration, for better or worse, are likely to be far more influential and lasting regarding America’s longer-term geopolitical power projection than the present economic decline. To sum up regarding the United States and the global economic worsening, former Council on Foreign Relations President Les Gelb, in his new book, Power Rules: How Common Sense Can Rescue American Foreign Policy,20 insists that a nation’s power is what it always was—essentially the capacity to get people to do what they don’t want to do, by pressure and coercion, using one’s resources and position. . . . The world is not flat. . . . The shape of global power is decidedly pyramidal—with the United States alone at the top, a second tier of major countries (China, Japan, India, Russia, the United Kingdom, France, Germany and Brazil), and several tiers descending below. . . . Among all nations, only the United States is a true global power with global reach. Lee Kuan Yew, former Prime Minister of the Republic of Singapore, agrees: “After the crisis, the US is most likely to remain at the top of every key index of national power for decades. It will remain the dominant global player for the next few decades. No major issue concerning international peace and stability can be resolved without US leadership, and no country or grouping can yet replace America as the dominant global power.”21 The current global economic crisis will not alter this reality. And the capitalist market model will continue to dominate international economics, not least because China and India have adopted their own versions of it.

**And, there’s no incentive—no one will undermine the U.S.**

**BROOKS AND WOHLFORTH 2005** (Steven, Asst Prof and William, Professor, both at Dartmouth, International Security, Summer)

Ultimately, what appears new about the behavior analysts are calling soft balancing is not its significance, but its perceived prominence on the agenda. What used to be considered standard diplomatic bargaining is now likely trumpeted as balancing because real balancing of the kind that has appeared so often throughout history -- competing great-power alliances, arms buildups, brinkmanship crises, and the like -- was cleared off the international agenda in 1989-91 with the end of the Cold War. Importantly, the concept of balancing rose to prominence in a world in which great power security relations were dominated by the direct threat that they posed to each other. Today, by contrast, the likelihood of great power war is exceedingly low. Weak states and nonstates pose the main security challenge, and the great powers argue primarily over the best way to address them. Balance of power theory has no utility in explaining great power relations in this world.

# A2: ECON KEY TO DEMOCRACY

**No empirical evidence—weak economy may have helped the Nazis, but there was no global coalition of liberal democratic states to prevent authoritarianism, past recessions disprove this, the 1930’s had other historically-specific variables, and democracy is already entrenched in all the key states**

**Doesn’t kill democracy**

**Brower and Carothers 2009** – \*fellow in the Democracy and Rule of Law Program at the Carnegie Endowment, \*\*vice president for studies at the Carnegie Endowment for International Peace, founder and director of the Democracy and Rule of Law Program (Julia and Thomas, Carnegie Endowment for International Peace, “Will the International Economic Crisis Undermine Struggling Democracies?”, http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=23031, WEA)

As the global economic crisis unfolds, many observers are wondering what political effects it will have around the world. Will it produce significant amounts of political instability? Will its damaging political effects fall especially hard on the many weak or struggling democracies in the world, thereby producing a reversal of democracy’s gains of recent decades? To help deepen these discussions empirically, it is useful to consider the findings of research on the political effects of other economic crises of recent decades. Of course drawing clearcut lessons from the complex past record of economic crises is a difficult and necessarily tentative undertaking. And no matter how sophisticated such research is, broader, subtle long-term changes in global economics and politics can mean that patterns from the past may not hold in the future. Nevertheless, existing research offers important insights about the amount of instability that might occur—including whether it may consist more of changes of government or changes in systems of government—as well as whether democratic or authoritarian governments will suffer more. Three important findings emerge from the research: 1. In the great majority of past cases, economic crisis did not lead to regime change. In fact, it often did not even lead to a change of government. In the most comprehensive article on this topic, Minxin Pei and David Adesnik (2000) examine the political effects of 93 economic crises—defined as an annual inflation rate greater than 15 percent, and stagnant or negative annual GDP growth—in Asia and Latin America between 1945 and 1998. Contrary to what might be expected, they find that economic crisis contributed to regime change in only 30 cases. Six of these cases fit the model of an immediate Suharto-style regime collapse; in the rest, regime change occurred after a time lag of about eighteen to 30 months. Perhaps most surprising, however, is their finding that in only about 18 of the remaining 63 cases did economic crisis lead even to a change in government. What explains these findings? Pei and Adesnik speculate that three factors might be at work. First, the timing has to be right for economic crises to have an observable political impact. In about one-fifth of the cases with no change, the economic difficulties had ended prior to the next election. Second, in ten of the cases, the economic crisis was overshadowed by an existing political crisis. Finally, economic crises were less likely to produce regime change during the 1980s and 1990s than in the previous two decades. That this trend coincides with the most recent wave of democratization in Latin America and Asia is no coincidence, and leads to the second major finding of the research. 2. Democracies have been more resilient against the destabilizing effects of economic crises than nondemocratic regimes (except for one-party authoritarian regimes). Several authors have found that democracies weather economic crises more effectively than authoritarian regimes, including Remmer (1996), who focuses on South America between 1944 and 1994, and Haggard (2000), who focuses on the Asian financial crisis. Pei and Adesnik (2000) again provide the most systematic evidence for this conclusion. Of the 40 economic crises that occurred in democratic countries, sixteen led to changes of government and only ten resulted in regime change. In contrast, of the 34 crises that occurred in restricted democracies and military regimes, half led to regime collapse. The one exception to this trend lies with one-party authoritarian regimes (as opposed to softer authoritarian regimes), which proved to be invulnerable to economic crisis. None of the ten crises observed by Pei and Adesnik led to a change of government or regime in such countries. Democracy’s advantage lies in the flexibility that institutionalized opportunities for political change provide. Regular elections offer citizens a much simpler means of punishing politicians for the economic crisis than regime change. Citizens can also distinguish between institutions and politicians. Surveys of citizens of former communist regimes in Eastern Europe during economic crises have found that they still support democracy because they have negative memories of authoritarian regimes and value having political choice (Duch 1995). In nondemocratic regimes, regime change may be the only means to obtain a change of policy. Their legitimacy is also much more likely to be heavily performance-based.

# A2: DIVERSIONARY WAR

**This never happens—any government willing to start a world war because the economy dipped would probably be seriously unstable anyway**

**And, diversionary war theory is false**

**Boehmer 2007** – political science professor at the University of Texas (Charles, Politics & Policy, 35:4, “The Effects of Economic Crisis, Domestic Discord, and State Efficacy on the Decision to Initiate Interstate Conflict”, WEA)

This article examines the contemporaneous effect of low economic growth and domestic instability on the threat of regime change and/ or involvement in external militarized conflicts. Many studies of diversionary conflict argue that lower rates of economic growth should heighten the risk of international conflict. Yet we know that militarized interstate conflicts, and especially wars, are generally rare events whereas lower rates of growth are not. Additionally, a growing body of literature shows that regime changes are also associated with lower rates of economic growth. The question then becomes which event, militarized interstate conflict or regime change, is the most likely to occur with domestic discord and lower rates of economic growth? Diversionary theory claims that leaders seek to divert attention away from domestic problems such as a bad economy or political scandals, or to garner increased support prior to elections. Leaders then supposedly externalize discontented domestic sentiments onto other nations, sometimes as scapegoats based on the similar in-group/out-group dynamic found in the research of Coser (1956) and Simmel (1955), where foreign countries are blamed for domestic problems. This process is said to involve a “rally-round-the-flag” effect, where a leader can expect a short-term boost in popularity with the threat or use of force (Blechman, Kaplan, and Hall 1978; Mueller 1973). Scholarship on diversionary conflict has focused most often on the American case1 but recent studies have sought to identify this possible behavior in other countries.2 The Falklands War is often a popular example of diversionary conflict (Levy and Vakili 1992). Argentina was reeling from hyperinflation and rampant unemployment associated with the Latin American debt crisis. It is plausible that a success in the Falklands War may have helped to rally support for the governing Galtieri regime, although Argentina lost the war and the ruling regime lost power. How many other attempts to use diversionary tactics, if they indeed occur, can be seen to generate a similar outcome? The goal of this article is to provide an assessment of the extent to which diversionary strategy is a threat to peace. Is this a colorful theory kept alive by academics that has little bearing upon real events, or is this a real problem that policy makers should be concerned with? If it is a strategy readily available to leaders, then it is important to know what domestic factors trigger this gambit. Moreover, to know that requires an understanding of the context in external conflict, which occurs relative to regime changes. Theories of diversionary conflict usually emphasize the potential benefits of diversionary tactics, although few pay equal attention to the prospective costs associated with such behavior. It is not contentious to claim that leaders typically seek to remain in office. However, whether they can successfully manipulate public opinion regularly during periods of domestic unpopularity through their states’ participation in foreign militarized conflicts—especially outside of the American case—is a question open for debate. Furthermore, there appears to be a logical disconnect between diversionary theories and extant studies of domestic conflict and regime change. Lower rates of economic growth are purported to increase the risk of both militarized interstate conflicts (and internal conflicts) as well as regime changes (Bloomberg and Hess 2002). This implies that if leaders do, in fact, undertake diversionary conflicts, many may still be thrown from the seat of power—especially if the outcome is defeat to a foreign enemy. Diversionary conflict would thus seem to be a risky gambit (Smith 1996). Scholars such as MacFie (1938) and Blainey (1988) have nevertheless questioned the validity of the diversionary thesis. As noted by Levy (1989), this perspective is rarely formulated as a cohesive and comprehensive theory, and there has been little or no knowledge cumulation. Later analyses do not necessarily build on past studies and the discrepancies between inquiries are often difficult to unravel. “Studies have used a variety of research designs, different dependent variables (uses of force, major uses of force, militarized disputes), different estimation techniques, and different data sets covering different time periods and different states” (Bennett and Nordstrom 2000, 39). To these problems, we should add a lack of theoretical precision and incomplete model specification. By a lack of theoretical precision, I am referring to the linkages between economic conditions and domestic strife that remain unclear in some studies (Miller 1995; Russett 1990). Consequently, extant studies are to a degree incommensurate; they offer a step in the right direction but do not provide robust cross-national explanations and tests of economic growth and interstate conflict. Yet a few studies have attempted to provide deductive explanations about when and how diversionary tactics might be employed. Using a Bayesian updating game, Richards and others (1993) theorize that while the use of force would appear to offer leaders a means to boost their popularity, a poorly performing economy acts as a signal to a leader’s constituents about his or her competence. Hence, attempts to use diversion are likely to fail either because incompetent leaders will likewise fail in foreign policy or people will recognize the gambit for what it is. Instead, these two models conclude that diversion is likely to be undertaken particularly by risk-acceptant leaders. This stress on a heightened risk of removal from office is also apparent in the work of Bueno de Mesquita and others (1999), and Downs and Rocke (1994), where leaders may “gamble for resurrection,” although the diversionary scenario in the former study is only a partial extension of their theory on selectorates, winning coalitions, and leader survival. Again, how often do leaders fail in the process or are removed from positions of power before they can even initiate diversionary tactics? A few studies focusing on leader tenure have examined the removal of leaders following war, although almost no study in the diversionary literature has looked at the effects of domestic problems on the relative risks of regime change, interstate conflict, or both events occurring in the same year.3

**Low growth makes politicians cautious—they don’t want to risk war because it makes them vulnerable**

**Boehmer 2007** – political science professor at the University of Texas (Charles, Politics & Policy, 35:4, “The Effects of Economic Crisis, Domestic Discord, and State Efficacy on the Decision to Initiate Interstate Conflict”, WEA)

Economic Growth and Fatal MIDs

The theory presented earlier predicts that lower rates of growth suppress participation in foreign conflicts, particularly concerning conflict initiation and escalation to combat. To sustain combat, states need to be militarily prepared and not open up a second front when they are already fighting, or may fear, domestic opposition. A good example would be when the various Afghani resistance fighters expelled the Soviet Union from their territory, but the Taliban crumbled when it had to face the combined forces of the United States and Northern Alliance insurrection. Yet the coefficient for GDP growth and MID initiations was negative but insignificant. However, considering that there are many reasons why states fight, the logic presented earlier should hold especially in regard to the risk of participating in more severe conflicts. Threats to use military force may be safe to make and may be made with both external and internal actors in mind, but in the end may remain mere cheap talk that does not risk escalation if there is a chance to back down. Chiozza and Goemans (2004b) found that secure leaders were more likely to become involved in war than insecure leaders, supporting the theory and evidence presented here. We should find that leaders who face domestic opposition and a poorly performing economy shy away from situations that could escalate to combat if doing so would compromise their ability to retain power.

**They’re using sloppy methodology—diversionary war theory is an unfounded assertion**

**Bennett and Nordstrom 2000** – department of political science at Penn State (D Scott and Timothy, The Journal of Conflict Resolution, 44:1, “Foreign policy substitutability and internal economic problems in enduring rivalries”, ProQuest, WEA)

The nature of the results has led some to question the validity of the theories. For example, Bruce Bueno de Mesquita. (1985) posits that the logical flaw in externalization theory lies in the psychological nature of the original scapegoat hypothesis on which externalization theory is based. While the international relations version of this theory is indeed written in psychological terms (in-group/out-group), it may be that "the logical foundation for the leap from individual psychology to national action remains non-existent" (1985, 130). Similarly, Levy (1989, 266) puts forth four problems with the original causal process as described by Simmel (1955), Coser (1956), and other early writers on externalization: (1) little attention is paid to the direction of the relationship between internal problems and external conflict, (2) attempts to develop or test alternative theoretical relationships are rare, (3) precise specifications of when externalization should occur theoretically are rare, and (4) the conditions under which externalization conditions should hold are unexplored. The conclusion that Levy draws from these theoretical issues is that many of the empirical studies suffer from problems of misspecified models (1989, 267). An additional possible source of discrepancies in findings about diversionary conflict may be attributable to differences in research design and variable measurement. Studies have used a variety of research designs, different dependent variables (uses of force, major uses of force, militarized disputes), different estimation techniques, and different data sets covering different time periods and different states. Even the central concept of externalization, namely, domestic trouble, is unclear. Most studies to date have used presidential popularity, overall presidential success, the election calendar, or a misery index composed of inflation and unemployment as indicators of presidential problems. Cross-national studies have most frequently examined what James (19 88, 103) categorizes as manifest conflict, a category which includes protest demonstrations, political strikes, armed attacks, and deaths from domestic violence. This category can be opposed to latent conflict, which exists when sources of trouble are present but have not yet led to the physical manifestations of dissatisfaction. Diversionary conflict theory as presented is typically so general in its discussion of internal problems that it opens a Pandora's box of possible indicators of domestic conflict, and all of the types of measures discussed above fit with the theory. The vague nature of the theory may be contributing to this possible problem of model misspecification, but there are few arguments that suggest one indicator is superior to the others. Alternative relationships between domestic economic performance and international conflict also have been proposed, perhaps most importantly by Blainey (1973, 74). Blainey offers the alternative hypothesis about economics and war that economically challenged countries are more likely to be the target of aggressive military acts than their initiator (1973, 86). Faced with a poor target in a bad economic situation, who is faced with an unhappy populace and possibly limited resources, potential conflict initiators are likely to see opportunity. The argument also parallels the historical notion that leaders would only go to war when their coffers were full-in bad times, leaders may simply not be able to afford to go to conflict. Blainey's argument appears to pose a challenge to diversionary conflict theory in its emphasis on what is the most likely direction of conflict. Note, however, that its prediction (weak states become targets) differs from a strategic application of diversionary conflict theory.

# A2: RUSSIA

**No impact to Russian economy**

**Blackwill 2009** – former associate dean of the Kennedy School of Government and Deputy Assistant to the President and Deputy National Security Advisor for Strategic Planning (Robert, RAND, “The Geopolitical Consequences of the World Economic Recession—A Caution”, http://www.rand.org/pubs/occasional\_papers/2009/RAND\_OP275.pdf, WEA)

Now on to Russia. Again, five years from today. Did the global recession and Russia’s present serious economic problems substantially modify Russian foreign policy? No. (President Obama is beginning his early July visit to Moscow as this paper goes to press; nothing fundamental will result from that visit). Did it produce a serious weakening of Vladimir Putin’s power and authority in Russia? No, as recent polls in Russia make clear. Did it reduce Russian worries and capacities to oppose NATO enlargement and defense measures eastward? No. Did it affect Russia’s willingness to accept much tougher sanctions against Iran? No. Russian Foreign Minister Lavrov has said there is no evidence that Iran intends to make a nuclear weapon.25 In sum, Russian foreign policy is today on a steady, consistent path that can be characterized as follows: to resurrect Russia’s standing as a great power; to reestablish Russian primary influence over the space of the former Soviet Union; to resist Western eff orts to encroach on the space of the former Soviet Union; to revive Russia’s military might and power projection; to extend the reach of Russian diplomacy in Europe, Asia, and beyond; and to oppose American global primacy. For Moscow, these foreign policy first principles are here to stay, as they have existed in Russia for centuries. 26 None of these enduring objectives of Russian foreign policy are likely to be changed in any serious way by the economic crisis.

**Russian economy resilient**

**STOKES 2008** (Bruce Stokes. "Don't Ignore the Russian Bear." Council on Foreign Relations, <http://www.cfr.org/publication/3225/dont_ignore_the_russian_bear.html>)  
A little less than a year ago, August 17 to be precise, the post-Cold War Russian economic experiment imploded. The ruble collapsed and debt payments to foreigners were frozen. Wall Street lost billions of dollars. Long Term Capital Management, one of the world's biggest hedge funds, had to be taken over by its bankers. Once burned, international investors yanked their capital out of all emerging markets— from Latin America to East Asia— causing world interest rates to spike. The global economy teetered on the edge of depression.   But, much to the surprise of most economic pundits, international markets quickly righted themselves. The Russian economy proved far more resilient than anticipated. And, in retrospect, the events of August, 1998 were little more than a very large bump in the road.   The lessons of this "crisis that wasn't" are now clear: Russia is not too big to fail (the volume of its debts do not dictate special treatment by its creditors); the financial world can cope with such failure; and the Russian economy can bounce back without much overt help from the West. But the impending $4.5 billion loan to Russia by the International Monetary Fund— reflecting Washington's gratitude for Moscow's help in Kosovo, continued fear of Russian nuclear proliferation and concern about Russia's internal political stability— demonstrates that Russia still remains too important for the world to ignore.   This contradiction— not too big to fail, but still too big to flounder— highlights the friction inherent when economic policy is used to further geo-political goals. Up until a year ago, the Clinton Administration argued that aid to Russia was needed, in part, to avoid global economic collapse. August, 1998 exposed that rationale as a charade. Now American support for assistance to Russia can only be justified for two reasons: to reinforce Russia's transition to a market economy or as ransom in Moscow's continued strategic blackmail of the West. Evidence to justify the former is dubious. Its time to own up to the latter.   Last summer's fleeting economic fright reflected Russia's staggering economic collapse. The ruble fell by more than 70 per cent in a couple of weeks. The economy shrank by 4.3 per cent. Real wages fell 41 per cent.   But the crisis was cathartic. "The shock accomplished what reform was intended to achieve," said Anders Aslund, a senior associate at the Carnegie Endowment for International Peace in Washington. The banking system now functions better. Barter is declining. Most important, there has been no reversion to central planning, government-directed lending, industrial subsidies or government reliance on simply printing money.

**Russian economic collapse is inevitable**

**KHRUSHCHEVA 2008** (Nina L. Khrushcheva is an associate professor of international affairs at the New School, Chronicle of Higher Education, 9-5)

That scenario, however, is unlikely. The unstable conditions that are stoking Russia's current economic boom may soon bring about a crisis similar to the financial meltdown of 1998, when, as a result of the decline in world commodity prices, Russia, which is heavily dependent on the export of raw materials, lost most of its income. Widespread corruption at every level of private and state bureaucracy, coupled with the fact that the government invests little of its oil money in fostering areas like technological innovation, corporate responsibility, and social and political reform, could spin the economic balance out of control. Rampant inflation might bring the Putin-Medvedev Kremlin down. Even if Russia withstands that scenario, global forces will ultimately burst its economic bubble. The temporary release of the U.S. oil reserves, and tough economic and legal sanctions against oil speculators around the world, should end Russia's oil supremacy and hasten its economic collapse. And sooner or later, alternative solutions to the world's dependence on oil and gas will be found.

**Russian economic collapse is inevitable**

**ASLUND 2008**

(Anders, Peterson Institute, Moscow Times, Sept 3, http://www.iie.com/publications/opeds/oped.cfm?ResearchID=997)

August 8 stands out as a fateful day for Russia. It marks Prime Minister Vladimir Putin's greatest strategic blunder. In one blow, he wiped out half a trillion dollars of stock market value, stalled all domestic reforms, and isolated Russia from the outside world. Russia's attack on Georgia, its small democratic neighbor, was bad enough, but its recognition of two conquered protectorates as independent states has been supported only by Hamas, Belarus, Venezuela, and Cuba. Putin is turning Russia into a rogue state. Russia has gone through a grand economic recovery, but its strength must not be exaggerated. In current dollars, its gross domestic product has increased almost ninefold in nine years, but even so, it accounts for only 2.8 percent of global GDP. At present, its per capita GDP of $12,000 is a quarter of the US level. While this is impressive, much of its catch-up potential has been exhausted. The official government target is to reach half the US per capita GDP by 2020. It is possible to achieve that goal, but it would require carrying out extensive economic reforms during the next 12 years. The problem, however, is that Russia's foreign aggression has strengthened the authoritarian regime, and this has ended all hopes for substantial reforms at a time when they are needed the most. To understand Russia's economic dilemma, we need to consider the causes of the country's growth over the last decade and the current challenges. The dominant cause of growth has been European or capitalist convergence, which Russia has enjoyed thanks to Boris Yeltsin's hard-fought introduction of a market economy, privatization, and international integration. The country's short economic history can be summed up as: All good comes from private enterprise. The government's contribution has been to keep the budget in surplus and reduce taxation. A second cause of the high growth has been the huge free capacity in production, infrastructure, and human capital after the collapse of communism. The recovery was also coupled with remonetization, as Russia has enjoyed one of the greatest credit booms of all time. With the rise of the new capitalist service sector, a huge structural change has spurred growth. Together, the systemic and structural changes amount to a gigantic catch-up effect that all postcommunist reform countries have experienced. The average annual real growth in former Soviet states from 2000 to 2007 was 9 percent, but it reached only 7 percent in Russia.The third factor behind Russia's growth is the most spurious—namely the oil price windfall since 2004. While it has boosted the country's budget surplus, current account balance, and currency reserves, it is likely to have damaged its policy badly, as the elite focused on the distribution of oil rents rather than on the improvement of policy. As a consequence, Russia has seen no economic or social reforms worth mentioning for the past six years. Moscow's current economic dilemma is that the old sources of growth will soon be exhausted. Undoubtedly, some capitalist convergence will continue, but it is bound to slow down. Unfortunately, it is easy to compile 10 reasons why Russia is likely to have lower growth in the near future than it has had for the last nine years. 1. Internationally, one of the greatest booms of all times is finally coming to an end. Demand is falling throughout the world, and soon Russia will also be hit. This factor alone has brought the Western world to stagnation. 2. Russia's main problem is its enormous corruption. According to Transparency International, only Equatorial Guinea is richer than Russia and more corrupt. Since the main culprit behind Russia's aggravated corruption is Putin, no improvement is likely as long as he persists. 3. Infrastructure, especially roads, has become an extraordinary bottleneck, and the sad fact is that Russia is unable to carry out major infrastructure projects. When Putin came to power in 2000, Russia had 754,000 kilometers of paved road. Incredibly, by 2006 this figure had increased by only 0.1 percent, and the little that is built costs at least three times as much as in the West. Public administration is simply too incompetent and corrupt to develop major projects. 4. Renationalization is continuing and leading to a decline in economic efficiency. When Putin publicly attacked Mechel, investors presumed that he had decided to nationalize the company. Thus they rushed to dump their stock in Mechel, having seen what happened to Yukos, Russneft, United Heavy Machineries, and VSMP-Avisma, to name a few. In a note to investors, UBS explained diplomatically that an old paradigm of higher political risk has returned to Russia, so it has reduced its price targets by an average of 20 percent, or a market value of $300 billion. Unpredictable economic crime is bad for growth. 5. The most successful transition countries have investment ratios exceeding 30 percent of GDP, as is also the case in East Asia. But in Russia, it is only 20 percent of GDP, and it is likely to fall in the current business environment. That means that bottlenecks will grow worse. 6. An immediate consequence of Russia's transformation into a rogue state is that membership in the World Trade Organization is out of reach. World Bank and Economic Development Ministry assessments have put the value of WTO membership at 0.5 to 1 percentage points of additional growth per year for the next five years. Now, a similar deterioration is likely because of increased protectionism, especially in agriculture and finance. 7. Minimal reforms in law enforcement, education, and health care have been undertaken, and no new attempt is likely. The malfunctioning public services will become an even greater drag on economic growth. 8. Oil and commodity prices can only go down, and energy production is stagnant, which means that Russia's external accounts are bound to deteriorate quickly. 9. Because Russia's banking system is dominated by five state banks, it is inefficient and unreliable, and the national cost of a poor banking system rises over time. 10. Inflation is now 15 percent because of a poor exchange rate and monetary policies, though the current capital outflow may ease that problem.In short, Russia is set for a sudden and sharp fall in its economic growth. It is difficult to assess the impact of each of these 10 factors, but they are all potent and negative. A sudden, zero growth would not be surprising, and leaders like Putin are not prepared to face reality. Russia's economic situation looks ugly. For how long can Russia afford such an expensive prime minister?

# A2: CHINA

**No impact to Chinese economy**

**Blackwill 2009** – former associate dean of the Kennedy School of Government and Deputy Assistant to the President and Deputy National Security Advisor for Strategic Planning (Robert, RAND, “The Geopolitical Consequences of the World Economic Recession—A Caution”, http://www.rand.org/pubs/occasional\_papers/2009/RAND\_OP275.pdf, WEA)

Next, China. Again, five years from today. Did the recession undermine the grip of the Chinese Communist Party on the People’s Republic of China (PRC)? No. Again, as Lee Kuan Yew stressed in the same recent speech, “China has proven itself to be pragmatic, resilient and adaptive. The Chinese have survived severe crises—the Great Leap Forward and the Cultural Revolution—few societies have been so stricken. These are reasons not to be pessimistic.” Did the crisis make Washington more willing to succumb to the rise of Chinese power because of PRC holdings of U.S. Treasury Bonds? No. Did it alter China’s basic external direction and especially its efforts, stemming from its own strategic analysis, to undermine the U.S. alliance system in Asia? No. Did it cause the essence of Asian security to transform? No.

# EXT: NO WAR—GENERAL

**Economic decline causes rivalry termination and reluctance to spend—solves the impact**

**Bennett and Nordstrom 2000** – department of political science at Penn State (D Scott and Timothy, The Journal of Conflict Resolution, 44:1, “Foreign policy substitutability and internal economic problems in enduring rivalries”, ProQuest, WEA)

Conflict settlement is also a distinct route to dealing with internal problems that leaders in rivalries may pursue when faced with internal problems. Military competition between states requires large amounts of resources, and rivals require even more attention. Leaders may choose to negotiate a settlement that ends a rivalry to free up important resources that may be reallocated to the domestic economy. In a "guns versus butter" world of economic trade-offs, when a state can no longer afford to pay the expenses associated with competition in a rivalry, it is quite rational for leaders to reduce costs by ending a rivalry. This gain (a peace dividend) could be achieved at any time by ending a rivalry. However, such a gain is likely to be most important and attractive to leaders when internal conditions are bad and the leader is seeking ways to alleviate active problems. Support for policy change away from continued rivalry is more likely to develop when the economic situation sours and elites and masses are looking for ways to improve a worsening situation. It is at these times that the pressure to cut military investment will be greatest and that state leaders will be forced to recognize the difficulty of continuing to pay for a rivalry. Among other things, this argument also encompasses the view that the cold war ended because the Union of Soviet Socialist Republics could no longer compete economically with the United States.

# EXT: WORLD STABILITY

**There’s just no impact—recession proves economic decline has no effect on world stability**

**Barnett 2009** – WPR columnist and editor for Esquire, senior managing director of Enterra Solutions (8/24, Thomas, World Politics Review, “The New Rules: Security Remains Stable Amid Financial Crisis”, http://www.worldpoliticsreview.com/articles/4213/the-new-rules-security-remains-stable-amid-financial-crisis, WEA)

When the global financial crisis struck roughly a year ago, the blogosphere was ablaze with all sorts of scary predictions of, and commentary regarding, ensuing conflict and wars -- a rerun of the Great Depression leading to world war, as it were. Now, as global economic news brightens and recovery -- surprisingly led by China and emerging markets -- is the talk of the day, it's interesting to look back over the past year and realize how globalization's first truly worldwide recession has had virtually no impact whatsoever on the international security landscape. None of the more than three-dozen ongoing conflicts listed by GlobalSecurity.org can be clearly attributed to the global recession. Indeed, the last new entry (civil conflict between Hamas and Fatah in the Palestine) predates the economic crisis by a year, and three quarters of the chronic struggles began in the last century. Ditto for the 15 low-intensity conflicts listed by Wikipedia (where the latest entry is the Mexican "drug war" begun in 2006). Certainly, the Russia-Georgia conflict last August was specifically timed, but by most accounts the opening ceremony of the Beijing Olympics was the most important external trigger (followed by the U.S. presidential campaign) for that sudden spike in an almost two-decade long struggle between Georgia and its two breakaway regions. Looking over the various databases, then, we see a most familiar picture: the usual mix of civil conflicts, insurgencies, and liberation-themed terrorist movements. Besides the recent Russia-Georgia dust-up, the only two potential state-on-state wars (North v. South Korea, Israel v. Iran) are both tied to one side acquiring a nuclear weapon capacity -- a process wholly unrelated to global economic trends. And with the United States effectively tied down by its two ongoing major interventions (Iraq and Afghanistan-bleeding-into-Pakistan), our involvement elsewhere around the planet has been quite modest, both leading up to and following the onset of the economic crisis: e.g., the usual counter-drug efforts in Latin America, the usual military exercises with allies across Asia, mixing it up with pirates off Somalia's coast). Everywhere else we find serious instability we pretty much let it burn, occasionally pressing the Chinese -- unsuccessfully -- to do something. Our new Africa Command, for example, hasn't led us to anything beyond advising and training local forces. So, to sum up: \*No significant uptick in mass violence or unrest (remember the smattering of urban riots last year in places like Greece, Moldova and Latvia?); \*The usual frequency maintained in civil conflicts (in all the usual places); \*Not a single state-on-state war directly caused (and no great-power-on-great-power crises even triggered); \*No great improvement or disruption in great-power cooperation regarding the emergence of new nuclear powers (despite all that diplomacy); \*A modest scaling back of international policing efforts by the system's acknowledged Leviathan power (inevitable given the strain); and \*No serious efforts by any rising great power to challenge that Leviathan or supplant its role. (The worst things we can cite are Moscow's occasional deployments of strategic assets to the Western hemisphere and its weak efforts to outbid the United States on basing rights in Kyrgyzstan; but the best include China and India stepping up their aid and investments in Afghanistan and Iraq.) Sure, we've finally seen global defense spending surpass the previous world record set in the late 1980s, but even that's likely to wane given the stress on public budgets created by all this unprecedented "stimulus" spending. If anything, the friendly cooperation on such stimulus packaging was the most notable great-power dynamic caused by the crisis. Can we say that the world has suffered a distinct shift to political radicalism as a result of the economic crisis? Indeed, no. The world's major economies remain governed by center-left or center-right political factions that remain decidedly friendly to both markets and trade. In the short run, there were attempts across the board to insulate economies from immediate damage (in effect, as much protectionism as allowed under current trade rules), but there was no great slide into "trade wars." Instead, the World Trade Organization is functioning as it was designed to function, and regional efforts toward free-trade agreements have not slowed. Can we say Islamic radicalism was inflamed by the economic crisis? If it was, that shift was clearly overwhelmed by the Islamic world's growing disenchantment with the brutality displayed by violent extremist groups such as al-Qaida. And looking forward, austere economic times are just as likely to breed connecting evangelicalism as disconnecting fundamentalism. At the end of the day, the economic crisis did not prove to be sufficiently frightening to provoke major economies into establishing global regulatory schemes, even as it has sparked a spirited -- and much needed, as I argued last week -- discussion of the continuing viability of the U.S. dollar as the world's primary reserve currency. Naturally, plenty of experts and pundits have attached great significance to this debate, seeing in it the beginning of "economic warfare" and the like between "fading" America and "rising" China. And yet, in a world of globally integrated production chains and interconnected financial markets, such "diverging interests" hardly constitute signposts for wars up ahead. Frankly, I don't welcome a world in which America's fiscal profligacy goes undisciplined, so bring it on -- please! Add it all up and it's fair to say that this global financial crisis has proven the great resilience of America's post-World War II international liberal trade order. Do I expect to read any analyses along those lines in the blogosphere any time soon? Absolutely not. I expect the fantastic fear-mongering to proceed apace. That's what the Internet is for.

**Growth doesn’t matter because it never alters the core drivers of foreign policy**

**Blackwill 2009** – former associate dean of the Kennedy School of Government and Deputy Assistant to the President and Deputy National Security Advisor for Strategic Planning (Robert, RAND, “The Geopolitical Consequences of the World Economic Recession—A Caution”, http://www.rand.org/pubs/occasional\_papers/2009/RAND\_OP275.pdf, WEA)

But it is worth asking, as the magisterial American soldier/statesman George Marshall often did, “Why might I be wrong?” If the global economic numbers continue to decline next year and the year after, one must wonder whether any region would remain stable— whether China would maintain internal stability, whether the United States would continue as the pillar of international order, and whether the European Union would hold together. In that same vein, it is unclear today what eff ect, if any, the reckless financial lending and huge public debt that the United States is accumulating, as well as current massive governmental fiscal and monetary intervention in the American economy, will have on U.S. economic dynamism, entrepreneurial creativity, and, consequently, power projection over the very long term. One can only speculate on that issue at present, but it is certainly worth worrying about, and it is the most important “known unknown”27 regarding this subject.28 In addition, perhaps the Chinese Communist Party’s grip on China is more fragile than posited here, and possibly Pakistan and Mexico are much more vulnerable to failed-state outcomes primarily because of the economic downturn than anticipated in this essay. While it seems unlikely that these worst-case scenarios will eventuate as a result of the world recession, they do illustrate again that crucial uncertainties in this analysis are the global downturn’s length and severity and the long-term effects of the Obama Administration’s policies on the U.S. economy. Finally, if not, why not? If the world is in the most severe international economic crisis since the 1930s, why is it not producing structural changes in the global order? A brief answer is that the transcendent geopolitical elements have not altered in substantial ways with regard to individual nations in the two years since the economic crisis began. What are those enduring geopolitical elements? For any given country, they include the following: • Geographic location, topography, and climate. As Robert Kaplan puts it, “to embrace geography is not to accept it as an implacable force against which humankind is powerless. Rather, it serves to qualify human freedom and choice with a modest acceptance of fate.”29 In this connection, see in particular the works of Sir Halford John Mackinder and his The Geographical Pivot of History (1904)30, and Alfred Th ayer Mahan, The Infl uence of Sea Power upon History, 1660–1783 (1890).31 • Demography—the size, birth rate, growth, density, ethnicity, literacy, religions, migration/emigration/ assimilation/absorption, and industriousness of the population. • The histories, foreign and defense policy tendencies, cultural determinants, and domestic politics of individual countries. • The size and strength of the domestic economy. • The quality and pace of technology. • The presence of natural resources. • The character, capabilities, and policies of neighboring states. For the countries that matter most in the global order, perhaps unsurprisingly, none of these decisive variables have changed very much since the global downturn began, except for nations’ weaker economic performances. That single factor is not likely to trump all these other abiding geopolitical determinants and therefore produce international structural change. Moreover, the fundamental power relationships between and among the world’s foremost countries have also not altered, nor have those nations’ perceptions of their vital national interests and how best to promote and defend them. To sum up this pivotal concept, in the absence of war, revolution, or other extreme international or domestic disruptions, for nation-states, the powerful abiding conditions just listed do not evolve much except over the very long term, and thus neither do countries’ strategic intent and core external policies— even, as today, in the face of world economic trials. This point was made earlier about Russia’s enduring national security goals, which go back hundreds of years. Similarly, a Gulf monarch recently advised—with respect to Iran—not to fasten on the views of President Ahmadinejad or Supreme Leader Khamenei. Rather, he counseled that, to best understand contemporary Iranian policy, one should more usefully read the histories, objectives, and strategies of the Persian kings Cyrus, Darius, and Xerxes, who successively ruled a vast empire around 500 BC.32 The American filmmaker Orson Welles once opined that “To give an accurate description of what never happened is the proper occupation of the historian.” 33 Perhaps the same is occasionally true of pundits. ■

# EXT: HISTORY

**Economic decline does not cause war–past depressions don’t prove their argument**

**DEUDNEY 1999** (Daniel, Asst Prof of Poli Sci at Johns Hopkins, Contested Grounds: Security and Conflict in the New Environmental Politics )

The international consequences of these domestic changes may be increased conflict and war. If authoritarian regimes are more war-prone because of their lack of democratic control, and if revolutionary regimes are war-prone because of their ideological fervor and lack of socialization into international norms and processes, then a world political system containing more such states is likely to be more violent. The historical record from previous economic depressions supports the general proposition that widespread economic stagnation and unmet economic expectations contributes to international conflict. Although initially compelling, this scenario has flaws as well. First, the pessimistic interpretation of the relationship between environmental sustainability and economic growth is arguably based on unsound economic theory. Wealth formation is not so much a product of cheap natural resource availability as of capital formation via savings and more efficient ways of producing. The fact that so many resource-poor countries, like Japan, are very wealthy, while many countries with more extensive resource endowments are poor, demonstrates that there is no clear and direct relationship between abundant resource availability and economic well-being. Environmental constraints require an end to economic growth based on growing raw material through-puts, rather than an end to growth in the output of goods and services. Second, even if economic decline does occur, interstate conflict may be dampened, not stoked. In the Neo-Malthusian scenario, domestic political life is an intervening variable connecting environmentally induced economic stagnation with interstate conflict. How societies respond to economic decline may in large measure depend upon the rate at which such declines occur. A compensating factor here is the possibility that as people get poorer they will be less willing to spend increasingly scarce resources for military capabilities. In this regard, the experience of economic depressions over the last two centuries may not be relevant, because such depressions were characterized by underutilized production capacity and falling resource prices. In the 1930s increased military spending had a stimulative effect, but in a world in which economic growth had been retarded by environmental constraints military spending would exacerbate the economic problem.

**The recession proves our defense—everything imaginable went wrong and we survived**

**Mishkin 2008** – Alfred Lerner Professor of Banking and Financial Institutions at the Graduate School of Business, Columbia University, Senior Fellow at the FDIC Center for Banking Research, and past President of the Eastern Economic Association (Frederic, “Global Financial Turmoil and the World Economy”, http://www.federalreserve.gov/newsevents/speech/mishkin20080702a.htm, WEA)  
Let me now turn to a brief discussion of the current economic outlook and how the financial turmoil we have recently been experiencing has affected it. Unfortunately, just as the problems in financial markets have begun to abate, commodity prices have reached new heights, which clearly could take a toll on the U.S. economy as well as on the economies of our major trading partners. U.S. inflation has risen recently, largely because of these sharp increases in global commodity prices. However, thus far, the high costs of energy and other primary commodities have not led to much increase in core inflation, partly because of slackening domestic demand, and there is little evidence that these costs are feeding a wage-price spiral. Nevertheless, the latest spike up in energy and food prices has raised the upside risk to inflation and inflation expectations, which we are closely monitoring and seeking to contain. In the United States, weakness in the housing market, which has been exacerbated by the financial turmoil, has been a substantial drag on the growth of real gross domestic product (GDP) since early 2006. Declines in real residential investment subtracted about 1 percentage point from the pace of GDP growth last year, and the demand for homes has remained weak so far this year. Residential construction continues to contract, and the overhang of unsold new homes remains quite large relative to sales, although it has not risen too much further in recent months. Different measures tell somewhat different stories, but it seems clear that U.S. home prices began decelerating a while back and have been posting outright declines in recent quarters. Mortgage defaults and foreclosures are at record highs and delinquency rates are at their highest level in 29 years, which could keep downward pressure on prices for some time to come. An adverse feedback loop has emerged in the housing sector, as severe difficulties in the mortgage markets have significantly limited the availability of mortgage finance for many borrowers. The lack of mortgage credit, in turn, appears to have further driven down home sales and contributed to the decline in house prices. However, some of the slowdown in mortgage lending has been warranted. There is a distinction to be made between a normalization of credit conditions from the very easy conditions that prevailed through mid-2007 (which is a good thing from a medium-term perspective) and a full-blown credit crunch in which many clearly qualified borrowers are not provided access to credit. Notably, these sorts of results are also seen in Europe. Surveys by both the ECB and the Bank of England have indicated that banks are tightening lending standards, although credit is still flowing to at least some firms and households. Recent data suggest that the U.S. economy has proved more resilient than some had anticipated. Although the labor market has softened and consumer sentiment has declined sharply since last fall, consumer spending has thus far held up better than expected. The economy should be supported by monetary and fiscal stimulus, a reduced drag from residential construction, further progress in the repair of financial and credit markets, and still-solid demand from abroad. However, the economy faces challenges. With housing construction continuing to decline and energy prices continuing to rise, risks to growth still appear, to my eye, to be to the downside. Households face significant headwinds, including falling house prices, tighter credit, a softer job market, and higher energy prices. Businesses are also facing challenges, including rapidly escalating costs of raw materials and weaker domestic demand, although the strength of foreign demand for U.S. goods and services has offset the slowing of domestic sales to some extent. All that said, we seem to have avoided some of the worst possible outcomes so far.

# EXT: RESOURCE WARS

**Resource wars are outdated–resources aren’t scarce, physical control doesn’t matter, and insurgencies make them too strategically costly**

**DEUDNEY 1999** (Daniel, Asst Prof of Poli Sci at Johns Hopkins, Contested Grounds: Security and Conflict in the New Environmental Politics )

The hypothesis that states will begin fighting each other as natural resources are depleted and degraded seems intuitively accurate. The popular metaphor of a lifeboat adrift at sea with declining supplies of clean water and rations suggests there will be fewer opportunities for positive-sum gains between actors as resource scarcity grows. Many fears of resource war are derived from the cataclysmic world wars of the first half of the twentieth century. Influenced by geopolitical theories that emphasized the importance of land and resources for great power status, Adolf Hitler fashioned Nazi German war aims to achieve resource autonomy. 40 The aggression of Japan was directly related to resource goals: lacking indigenous fuel and minerals, and faced with a slowly tightening embargo by the Western colonial powers in Asia, the Japanese invaded Southeast Asia for oil, tin, and rubber.41 Although the United States had a richer resource endowment than the Axis powers, fears of shortages and industrial strangulation played a central role in the strategic thinking of American elites about world strategy.42 During the Cold War, the presence of natural resources in the Third World helped turn this vast area into an arena for East-West conflict.43 Given this record, the scenario of conflicts over resources playing a powerful role in shaping international order should be taken seriously. However, there are three strong reasons for concluding that the familiar scenarios of resource war are of diminishing plausibility for the foreseeable future. First, the robust character of the world trade system means that states no longer experience resource dependency as a major threat to their military security and political autonomy. During the 1930s, the collapse of the world trading system drove states to pursue economic autarky, but the resource needs of contemporary states are routinely met without territorial control of the resource source. As Ronnie Lipschutz has argued, this means that resource constraints are much less likely to generate interstate violence than in the past. Second, the prospects for resource wars are diminished by the growing difficulty that states face in obtaining resources through territorial conquest. Although the invention of nuclear explosives has made it easy and cheap to annihilate humans and infrastructure in extensive areas, the spread of conventional weaponry and national consciousness has made it very costly for an invader, even one equipped with advanced technology, to subdue a resisting population, as France discovered in Indochina and Algeria, the United States in Vietnam, and the Soviet Union in Afghanistan. 45 At the lower levels of violence capability that matter most for conquering and subduing territory, the great powers have lost effective military superiority and are unlikely soon to regain it. Third, nonrenewable resources are, contrary to intuitive logic, becoming less economically scarce. There is strong evidence that the world is entering what H. E. Goeller and Alvin M. Weinberg have labeled the "age of substitutability," in which industrial technology is increasingly capable of fashioning ubiquitous and plentiful earth materials such as iron, aluminum, silicon, and hydrocarbons into virtually everything needed by modern societies.46 The most striking manifestation of this trend is that prices for virtually every raw material have been stagnant or falling for the last two decades despite the continued growth in world economic output. In contrast to the expectations widely held during the 1970s that resource scarcity would drive up commodity prices to the benefit of Third World raw material suppliers, prices have fallen.47

**Resource scarcity doesn’t cause war–six factors check**

**DEUDNEY 1999** (Daniel, Asst Prof of Poli Sci at Johns Hopkins, Contested Grounds: Security and Conflict in the New Environmental Politics )

Another major limitation of most studies on environmental conflict is that they rarely consider the character of the overall international system in assessing the prospects for conflict and violence. Of course, it is impossible to analyze everything at once, but conclusions about conflictual outcomes are premature until the main features of the world political system are factored in. The frequency with which environmental scarcity and conflict will produce violent conflict, particularly interstate wars, is profoundly shaped by six features of contemporary world politics: (1) the prevalance of capitalism and the extent of international trade; (2) the existence of numerous functional international organizations, nongovernmental organizations and epistemic communities; (3) highly developed state-system institutions; and (4) the existence of nuclear weapons; (5) the widespread diffusion of conventional weaponry; and (6) the influence of a hegemonic coalition of liberal constitutional democracies. These deeply rooted material and institutional features of the contemporary world order greatly reduce the likelihood that environmental scarcities and change will lead to interstate violence (see figure 8.1).

**Growth will never stop and resources will never run out**

**SIMON 1996** (Julian, brilliant economist, The Ultimate Resource II, http://www.africa2000.com/RNDX/simon.html)

Though imagination is the key element in the speed of the advance of civilization, we can even get along reasonably well without more of the technical knowledge it produces–without sinking into misery. We now have in our hands–really, in our times–the technology to feed, clothe, and supply energy to an ever-growing population for the next seven billion years. The amazing part is that most of the specific techniques within this body of knowledge were developed within the past hundred years or so, though these recent discoveries rest on knowledge that had accumulated for millennia, of course. Indeed, the last necessary additions to this body of knowledge–nuclear fission and space travel and rapid computation–occurred decades ago. Even if no new knowledge were ever invented after those past advances, we would be able to go on increasing our numbers forever, while improving our standard of living and our control over our environment. The discovery of genetic manipulation certainly enhances our powers greatly, but even without it we could have continued our progress forever.

# EXT: ECONOMIC PREDICTIONS

**Economic calculations are all smoke and mirrors—empirical studies prove that even the best forecasters are consistently wrong**

**SHERDEN 1998** (William, business consultant, The Fortune Sellers)

So how good are these economic forecasters? To find a detailed answer to this question, I reviewed the leading research on forecasting accuracy contained in twelve studies published during the sixteen-year period from 1979 to 1995 and covering forecasts made during the 1970 to 1995 period. Looking beyond the cognitive dissonance and wishful thinking and adjusting for all the variables in the research, the following picture emerged regarding economists’ ability to predict the future: *Economists cannot predict the turning points in the economy*. That economists cannot predict the precipitous changes in the economy is obvious from their forecasting track record during the 1970-1980 period when economic growth and inflation were highly volatile. Victor Zarnowitz, a professor at the University of Chicago and one of the leading trackers of economic forecasting accuracy, analyzed the error rates for six prominent economic foecasters—the big three plus GE, the Bureau of Economic Analysis, and the National Bureau of Economic Research—in predicting real gross national product (GNP) growth and inflation for eight quarters into the future during four periods of significant economic change that occurred between 1970 and 1974: the mild recession in 1970 and the recovery in 1972, the sharp increase in inflation and the oil embargo in 1973, the deep recession in 1974, and the rapid upturn in the economy in 1975. He found that of the forty-eight predictions made by the economists, forty-six missed the turning points in the economy. The single worst set of predictions during that period were those for 1974, when, as Zarnowitz noted, “forecasters across the field missed the onset of a serious recession.” Six years later the big three economic forecasting firms failed to predict the severity of the 1980 recession, the worst since the Great Depression, and missed the drop in real GNP for the second quarter of 1980 by 270 percent.

**Economic consensus doesn’t mean anything—they just compound a series of bad predictions**

**SHERDEN 1998** (William, business consultant, The Fortune Sellers)

*Consensus forecasts offer little improvement*. Averaging faulty forecasts does not yield a highly accurate prediction. Consensus forecasts are theoretically slightly more accurate than the predictions of individual forecasters by only a few percentage points, due to the averaging effect that evens out the egregious error that individual forecasters periodically make. But consensus forecasts are no more likely to predict key turning points in the economy than the individual forecasts on which they are based, and the few extra points of accuracy gained by averaging do not necessarily make them superior to the naïve forecast.

# EXT: RESILIENCE

**Resilience—journalists tend towards pessimism and we’re structurally resilient**

**Globe and Mail 2010** (5/31/10, BRIAN MILNER, "While gloom says bear, TIGER points to bull", lexis, WEA)

Even at the height of the remarkable rebound of 2009 that brought stocks back from the dead zone, the bears never retreated to their lairs. Negative sentiment among investors remained stubbornly high, no matter how promising the economic indicators looked. And then along came the Greeks and their little sovereign debt problem, the Chinese and their public hand-wringing over asset bubbles and the North Koreans and their latest idiotic sabre-ratting to remind nervous markets just how fragile the nascent global recovery could turn out to be. The latest survey of American investors last week showed bearish sentiment hovering close to 30 per cent, with plenty of room for an uptick in the months ahead, as the optimists come to realize that a V-shaped recovery was never in the cards after the worst global financial and economic crisis since the Great Depression. The world's most overexposed permabear, Nouriel Roubini, is still grabbing headlines with his dire Greece-is-just-the-tip-of-the-iceberg warnings. (Well, he does have a new book to sell.) And such high-profile Canadian bruins as gold-loving money manager Eric Sprott and eminent strategist and data miner David Rosenberg have never veered from their sombre outlooks. The fact that May turned into a particularly brutal month for just about everything but U.S. Treasuries - even after last week's modest rebound, the Dow posted its worst performance for the month in 70 years - only added fuel to arguments that worse, much worse, is yet to come. I mention all this to Eswar Prasad, when I reach the Cornell University economics professor at his hotel in Beijing. Prof. Prasad is a noted China watcher who once headed the IMF's China division and still keeps in close touch with top government finance officials. But on this call, I'm more interested in one of his other hats as a shrewd analyst of global economic and market trends. "My inclination also is to be a bear," the affable academic says. "But the data don't support my bearishness as much as I would like. One has to be a little cautious, because these are based on a variety of indicators. Some of them certainly show more strength than I had realized." The data he's talking about come out of his work on a new composite index derived from a broad set of economic, market and confidence measures in the G20 countries and designed to provide a quarterly snapshot of the global recovery. "All signs are that the recovery has some momentum," says Prof. Prasad, who developed the index at the Brookings Institution, a Washington think tank where he is also a senior fellow. "But I wouldn't call it solid enough momentum that we can consider it 'in the bag.'" The new index, cutely named TIGER (Tracking Indices for the Global Economic Recovery), is a joint effort by Brookings and the Financial Times. And TIGER shows that since the world began climbing out of the deep trough about the middle of last year, big emerging economies have roared ahead, while the developed world has experienced much more uneven results. Industrial production and trade have bounced back handsomely - total exports from the big emerging countries now exceed pre-crisis levels - but the employment picture remains cloudy and consumption has yet to develop a new head of steam. "It's much easier at this stage to list all the things that could derail the recovery," Prof. Prasad says. "But all of those things are still conjectural. The reality, and the data, is that things are looking better."

# EXT: IMF CHECKS

**IMF checks**

**Business Week 2010** (7/19, IMF to Seek $250 Billion Boost to Lending Capacity, http://www.businessweek.com/news/2010-07-19/imf-to-seek-250-billion-boost-to-lending-capacity.html, WEA)

July 19 (Bloomberg) -- The International Monetary Fund is seeking a boost in its lending capacity to $1 trillion, from the current $750 billion, at a Group of 20 summit in South Korea in November, according to a Korean government official. The increase would help strengthen a global financial safety net to counter crises, the official said on condition of anonymity because the talks are private. South Korea is chair of the G-20 this year. IMF Managing Director Dominique Strauss-Kahn told the Financial Times that a boost to $1 trillion in IMF lending firepower was a “correct forecast.” Strauss-Kahn has sought to enhance the IMF’s role in serving as a buttress against financial crises, already overseeing a trebling in the fund’s war-chest to $750 billion since early 2009. While the IMF doesn’t foresee the global economy sinking back into a recession, the European debt crisis and elevated U.S. unemployment threaten to curtail the recovery. “They will have to increase the lending capacity over time to contain a crisis more effectively,” said Ham Joon-Ho, a professor of international economics and finance at Yonsei University in Seoul. Ham added that the IMF will also need to work to encourage members to line up contingency financing with the fund, which most have steered clear of given concern such a step would carry the “stigma” of signaling financial trouble.

**Takes out their impact—it’s a financial safety net**

**AFP 2010** (7/19, IMF to boost lending resources: report, http://www.google.com/hostednews/ap/article/ALeqM5hixr2M\_Qx1JQ-RsMvvAlU1RwLPiwD9H2AAR80, WEA)

SEOUL — The International Monetary Fund is seeking to boost its lending resources from 750 to 1,000 billion dollars to better handle future financial crises, a report said Monday. The Financial Times, citing IMF Managing Director Dominique Strauss-Kahn, said the bigger credit lines should be used to help prevent, rather than address, crises. "Even when not in a time of crisis, a big fund, likely to intervene massively, is something that can help prevent crises," IMF Managing Director Dominique Strauss-Kahn told the Financial Times. "Just because the financing role decreases, doesn't mean we don't need to have huge firepower... a 1,000 billion dollar fund is a correct forecast," he said. The Financial Times said the IMF wants to agree financing deals in advance that will be specially tailored to individual countries, rather than respond to crises with conditional loan packages. The aim would be to cool market nervousness over any nation facing an imminent liquidity crunch, the paper said. Strauss-Kahn was in South Korea -- which chairs the Group of 20 leading economies this year -- last week to attend a conference. South Korea's presidential panel for the Group of 20 leading economies, confirmed it was cooperating with the IMF to work out a better safety net.

# EXT: U.S. NOT KEY

**U.S. isn’t key to the global economy**

**Kohn 2008** – PhD in economics from Michigan, Chairman of the Committee on the Global Financial System, Vice Chairman of the Fed(Donald, speech at the International Research Forum on Monetary Policy in Frankfurt, “Global Economic Integration and Decoupling”, http://www.federalreserve.gov/newsevents/speech/kohn20080626a.htm, WEA)

What about our more recent experience? During the first three quarters of 2007, the U.S. economy was growing at a solid pace of about 3 percent at an annual rate. Over the next two quarters, U.S. growth slowed to an average of about 3/4 percent, while growth in other industrialized countries stayed much closer to trend rates at about 2-1/2 percent, and growth in the emerging market economies, at 6-1/2 percent, held up quite well. It is important to keep in mind, however, that we are still in the midst of the current episode. Financial markets remain stressed; housing markets in many countries are adjusting after a sharp run-up in prices; and the effects of the turmoil on economic activity in the United States and elsewhere are still working themselves out. Accordingly, it is too early to tell how correlated U.S. and foreign activity will have been in this period. One piece of research on business cycles in G-7 economies, done by staff at the Federal Reserve Board, shows how difficult it is to establish with any confidence that business cycles have become more synchronized in recent decades, despite trade and financial integration having clearly increased.11 Other research, which shows a modest convergence of business cycles across a larger group of industrial economies, fails to find an increase in the correlation of industrial country cycles with emerging market economy cycles.12 The other dimension of recent linkages is financial, where the evidence is clearer. First, few question the importance of financial linkages between the United States and other industrial economies, which is an area where decoupling clearly has not occurred during the recent episode. While industrial country markets for stocks and bonds have displayed a high degree of co-movement for years, in the current episode we are seeing notable new correlations across money markets, with disruptions in funding markets showing up in the euro area, Switzerland, the United Kingdom, and Canada, as well as in the United States. Some of the effects of the U.S. subprime mortgage crisis on financial markets in these countries occurred as a result of direct or indirect balance sheet exposures by their financial institutions to U.S. securities. Other adverse consequences for foreign financial institutions occurred when entire markets, such as that for asset-backed commercial paper, became impaired. In contrast, some have pointed to the apparent resilience of financial conditions in emerging market economies during the past year as an example of decoupling. In particular, the disruptions in the advanced economies have had only limited impacts on money markets in emerging market economies, and other financial market indicators in emerging market economies appear to have held up relatively well. For example, the spreads of emerging market sovereign bond yields over U.S. Treasury securities have risen since June of last year, but by only about 1/3 of the rise in the average U.S. corporate high-yield spread over U.S. Treasury securities. That rise is roughly half the average in several previous episodes of pressure on U.S. corporate bond prices over the period from 1998 to 2005; these episodes include, among others, the Russian and Long-Term Capital Management crisis of 1998, the 2002 surge in corporate defaults and bankruptcies, and growing concerns about U.S. auto companies in 2005. In addition, while stock prices in some emerging market countries have not performed well, a broad aggregate for these markets shows stock prices up over the past year, while the advanced economy indexes have exhibited double-digit declines, on average.13 Certainly, stock prices in the emerging market economies moved downward during acute periods of U.S. financial stress over the past year. However, these movements were similar in scale to those seen in industrial country equity markets, and during the intervening periods when global pressures were less intense, the prices of emerging market equities rebounded more substantially than those of industrial countries.

# EXT: NO GLOBAL ECONOMY

**There in so such thing as the global economy—economic links are regional**

**Fletcher 2010** – Adjunct Fellow at the San Francisco office of the U.S. Business and Industry Council (7/7, Ian, Huffington Post, “The myth of the global economy”, http://www.huffingtonpost.com/ian-fletcher/the-myth-of-the-global-ec\_b\_638546.html, props to Mustafa for the cite, WEA)

If there's one thing everyone knows these days, whether they're happy about it or not, it's that we live in a "global" economy. This fact is taken as so obvious that anyone who disputes it is regarded as not so much wrong as simply ignorant -- not even worth arguing with. So it may come as a shock to many that, in reality, the cliche that we live in a borderless global economy does not survive serious examination. The key is to ignore the Thomas Friedmanesque rhetoric the media is flooded with and get down to some hard numbers. The easiest hard number is this: Because the U.S. is roughly 25 percent of the world economy, a truly borderless world would imply that imports and exports would each make up 75 percent of our economy, since our purchase and sale transactions would be distributed around the world. This would entail a total trade level (imports plus exports) of 150 percent of GDP. Instead, our total trade level is 29 percent: imports are 17 percent and exports 12 percent. So our economy is nowhere near borderless. Furthermore, as our trade is almost certainly destined to be balanced by import contraction, rather than an export boom, in the next few years, our trade level is almost certainly poised to go down, not up. So unless the U.S. can somehow magically find a way to keep sucking in $300 to $700 billion a year in imports it doesn't pay for with exports, America in a few years will be importing significantly less and will be a less globalized economy. A truly unified world economy would also mean that rates of interest and profit would have to be equal everywhere--because if they weren't, the differences would be arbitraged away by the financial markets. But this is nowhere near being the case: Interest rates and corporate profits vary widely around the world. Economists James Anderson and Eric van Wincoop have calculated that the average cost of international trade (ignoring tariffs) is the equivalent of a 170 percent tariff. Even between adjacent and similar nations like the U.S. and Canada, national borders still count: Canadian economist John McCallum has documented that trade between Canadian provinces is on average 20 times as large as the corresponding trade between Canadian provinces and American states. And much of international trade is interregional anyway, not global, being centered on European, North American, and East Asian blocs; this is true for just under 50 percent of both agriculture and manufactured goods. In reality, the world economy remains what it has been for a very long time: a thin crust of genuinely global economy (more visible than its true size due to its concentration in media, finance, technology, and luxury goods) over a network of regionally-linked national economies, over vast sectors of every economy that are not internationally traded at all (70 percent of the U.S. economy, for example). On present trends, it will remain roughly this way for the rest of our lives. The world economy in the early 21st century is not even remotely borderless. Another stubborn reality is that, contrary to what some people seem to think, the nation-state is a long way from being economically irrelevant. Most fundamentally, it remains relevant to people because most people still live in the nation where they were born, which means that their economic fortunes depend upon wage and consumption levels within that one society. Unemployed Americans are learning this the hard way right now. Capital is a similar story. Even in the early 21st century, it hasn't been globalized nearly as much as often imagined. And it also cares very much about where it lives, frequently for the same reasons people do. (Few people wish to live or invest in Zimbabwe; many people wish to live and invest in California.) For a start, because 70 percent of America's capital is human capital, a lot of capital behaves exactly as people do, simply because it is people. Another 12 percent has been estimated by the World Bank to be social capital, the value of institutions and knowledge not assignable to individuals. So although liquid financial capital can indeed flash around the world in the blink of an electronic eye, this is only a fraction (under 10 percent) of any developed nation's capital stock. Even most nonhuman capital resides in things like real estate, infrastructure, physical plant, and types of financial capital that don't flow overseas -- or don't flow very much. (Economists call this "don't flow very much" phenomenon home bias, and it is well documented.) As a result, the output produced by all this capital is still largely tied to particular nations. So although capital mobility certainly causes big problems of its own, it is nowhere near big enough to literally abolish the nation-state as an economic unit. Will it do so one day? Even this is unlikely. Even where famously dematerializing and globalizing assets, like fiber optic telecom lines, are added -- assets that supposedly make physical location irrelevant--they are still largely being added where existing agglomerations of capital are. For example, although fiber optic backbones have gone into places like Bangalore, India, which were not global economic centers a generation ago, big increments of capacity have also gone into places like Manhattan, Tokyo, Silicon Valley, and Hong Kong, which were already important. As a result, existing geographic agglomerations of capital are largely self-reinforcing and here to stay, even if new ones come into being in unexpected places (often through decisions made by national governments). And these agglomerations have national shape because of past history; legacy effects can be extremely durable. Previous technological revolutions, such as the worldwide spread of railroads, were at least as big as current innovations like the Internet, and they didn't abolish the nation-state. Ironically, the enduring relevance of the national economy is clearest in some of the "poster child" countries of globalization, like Japan, Taiwan, South Korea, Singapore, and Ireland. In each of these nations, economic success was the product of policies enacted by governments that were in some sense nationalist. Japan industrialized after the Meiji Restoration of 1868 to avoid being colonized by some Western power. Taiwan did it out of fear of mainland China. South Korea did it out of fear of North Korea. Ireland did it to escape economic domination by England. In each case, the driving force was not simply desire for profit. This exists in every society (including resource-rich basket cases like Nigeria, where it merely produces gangsterism), but does not reliably crystallize into the policies needed for economic growth. The driving force was national political needs that found a solution in economic development.

\*\*\*TRADE

# NO IMPACT TO TRADE

**No impact to trade—**

**A) Trade does not solve war—there’s no correlation between trade and peace**

**MARTIN, MAYER, AND THOENIG 2008 (**Phillipe, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, and Centre for Economic Policy Research; Thierry MAYER, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, CEPII, and Centre for Economic Policy Research, Mathias THOENIG, University of Geneva and Paris School of Economics, The Review of Economic Studies 75)

Does globalization pacify international relations? The “liberal” view in political science argues that increasing trade flows and the spread of free markets and democracy should limit the incentive to use military force in interstate relations. This vision, which can partly be traced back to Kant’s Essay on Perpetual Peace (1795), has been very influential: The main objective of the European trade integration process was to prevent the killing and destruction of the two World Wars from ever happening again.1 Figure 1 suggests2 however, that during the 1870–2001 period, the correlation between trade openness and military conflicts is not a clear cut one. The first era of globalization, at the end of the 19th century, was a period of rising trade openness and multiple military conflicts, culminating with World War I. Then, the interwar period was characterized by a simultaneous collapse of world trade and conflicts. After World War II, world trade increased rapidly, while the number of conflicts decreased (although the risk of a global conflict was obviously high). There is no clear evidence that the 1990s, during which trade flows increased dramatically, was a period of lower prevalence of military conflicts, even taking into account the increase in the number of sovereign states.

**B) Doha proves even sudden collapse of free trade will not cause war**

**THE SEATTLE TIMES 7-31-2008**

Economists disagree on the Doha round's potential benefits; estimates of economic gain that could have been reaped through additional trade range from $4 billion to $100 billion. Set against the rapid expansion of global trade to $13.6 trillion last year from $7.6 trillion five years ago, however, the bottom-line loss from Doha's failure is "not a market issue," said Julian Callow, an economist at Barclays Capital in London. Nor is the world on the edge of the kind of protectionist wave that ended the last period of globalization in the early 20th century and contributed to two world wars, analysts say. Countries are likely to go on negotiating bilateral trade deals with each other, such as the U.S.-South Korea free-trade deal earlier this year.

C) Trade only pacifies some constituencies—it can’t solve in the countries with the biggest impacts

**GOLDSTONE 2007** (P.R., PhD candidate in the Department of Political Science and a member of the Security Studies Program at the Massachusetts Institute of Technology. He is a non-resident research fellow at the Center for Peace and Security Studies, Georgetown University, AlterNet, September 25, http://www.alternet.org/audits/62848/?page=entire)

American policymakers should beware claims of globalization's axiomatic pacifying effects. Trade creates vested interests in peace, but these interests affect policy only to the extent they wield political clout. In many of the states whose behavior we most wish to alter, such sectors -- internationalist, export-oriented, reliant on global markets -- lack a privileged place at the political table. Until and unless these groups gain a greater voice within their own political system, attempts to rely on the presumed constraining effects of global trade carry substantially greater risk than commonly thought. A few examples tell much. Quasi-democratic Russia is a state whose principal exposure to global markets lies in oil, a commodity whose considerable strategic coercive power the Putin regime freely invokes. The oil sector has effectively merged with the state, making Russia's deepening ties to the global economy a would-be weapon rather than an avenue of restraint. Russian economic liberalization without political liberalization is unlikely to pay the strong cooperative dividends many expect. China will prove perhaps the ultimate test of the Pax Mercatoria. The increasing international Chinese presence in the oil and raw materials extraction sectors would seem to bode ill, given such sectors' consistent history elsewhere of urging state use of threats and force to secure these interests. Much will come down to the relative political influence of export-oriented sectors heavily reliant on foreign direct investment and easy access to the vast Western market versus the political power of their sectoral opposites: uncompetitive state-owned enterprises, energy and mineral complexes with important holdings in the global periphery, and a Chinese military that increasingly has become a de facto multi-sectoral economic-industrial conglomerate. Actions to bolster the former groups at the expense of the latter would be effort well spent. At home, as even advanced sectors feel the competitive pressures of globalization, public support for internationalism and global engagement will face severe challenges. As more sectors undergo structural transformation, the natural coalitional constituency for committed global activist policy will erode; containing the gathering backlash will require considerable leadership. Trade can indeed be a palliative; too often, however, we seem to think of economic interdependence as a panacea; the danger is that in particular instances it may prove no more than a placebo.

# A2: NEGOTIATION / COPLEY NEWS 99

Their Copley News service evidence is terrible—it has no warrant, it’s not qualified, dozens of trade disputes disprove it, and it’s ten years old

First, extend our Seattle Times 2008 evidence—the WTO is not key to diplomacy because countries can continue bilateral negotiations

**Second, extend our Martin 2008 evidence—140 years of history from the Franco-Prussian War through September 11 disprove the connection between free trade and peace**

Third, the WTO does not solve war—it’s just another forum for great power competition

**HAWKINS 2003**

(William, Senior Fellow for National Security Studies at the U.S. Business and Industry Council, “Successfully Rebuilding Iraq Requires Rejection of 'Globalization,’” American Economic Alert, April 23, http://www.americaneconomicalert.org/view\_art.asp?Prod\_ID=807)

The Bush Administration has good reasons not to trust certain other members of the UN Security Council on Iraq. As Washington administers the postwar reconstruction effort, it must structure rules of origin regulations in line with geopolitics at both the prime and sub-contractor levels. If foreign governments and corporations are free to act against American interests without cost to themselves, how can they be deterred from doing so again? The door must be slammed on them, hard. European Union Trade Minister Pascal Lamy of France has raised the question of whether a U.S.-led reconstruction effort might violate WTO rules of non-discrimination. This is another attempt by the EU to expand the WTO into a tool of great power diplomacy. Multilateral agencies are ceasing to be consensual bodies promoting cooperation and simply becoming new arenas for political struggle – just as any realist should expect.

Fourth, the WTO does not solve war—bilateral diplomacy is the key factor

**COPELAND 1996** (Dale, Assistant Professor in the Department of Government and Foreign Affairs at the University of Virginia, International Security, Spring)

The value of maintaining an open trading system through the new World Trade Organization (WTO) is also clear: any significant trend to regionalization may force dependent great powers to use military force to protect their trading realms. In this regard, my analysis tends to support the liberal view that international institutions may help reinforce the chances for peace: insofar as these institutions solidify positive expectations about the future, they reduce the incentive for aggression. Yet trade expectations between great powers are usually improved without formal institutions being involved, simply as the result of smart bilateral diplomacy. Nixon and Kissinger achieved just that when they negotiated the 1972 trade treaty with the Soviets. Conversely, trade expectations can be shattered by poor bilateral diplomacy even within the context of an overarching international regime. American trade sanctions against China or Japan tomorrow, for example, might produce profound political-military tension, even under the new WTO framework. The existence of formal institutions, therefore, does not do away with the need for intelligent great power foreign policy between individual great powers.

**Finally, the Dispute Resolution system will never collapse despite trade failures**

**Polaski 2006** – director of the Trade, Equity, and Development Project at Carnegie, Secretary of State’s Special Representative for International Labor Affairs (Sandra, Carnegie Endowment for International Peace, “The future of the WTO”, http://www.carnegieendowment.org/files/Polaski\_WTO\_final\_formatted.pdf, WEA)

Notwithstanding the collapse of the Doha Round, the WTO will continue to function under the trade rules negotiated in previous rounds, which continue to bind all 149 member countries. Existing WTO agreements will still set the rules for trade between the major players, including the United States, the EU, and major emerging powers such as China and India. There is little prospect that these countries will negotiate separate free trade agreements among themselves, for the same reasons that make a Doha deal difficult. The WTO will continue to attract new members, as seen in recent weeks as Russia and Vietnam work hard to join the organization. The WTO dispute settlement mechanism, which is the venue for resolving grievances that arise under existing rules, will continue to function. It is not at risk because it provides real benefit to all member states in solving their disagreements.

Many of the commitments undertaken in the last round of negotiations (called the Uruguay Round) have only recently been implemented, including the phase-out in 2005 of the global quota system that governed all apparel and textile trade. China is still implementing deep changes to its tariffs and other policies that it agreed to enact over five years as a condition of accession to the WTO in 2001. This means that broad swaths of the world economy are still adjusting to new trade and price realities arising from earlier agreements. There is plenty of room for world trade to continue to grow under the existing rules, as demonstrated by the impressive expansion of trade over the twelve years since the conclusion of the last round. In fact, the very evident lack of engagement by most private firms in this round is a signal that business feels it has what it needs in terms of market access for the foreseeable future. Powerful corporate interests have never been shy about pressing their governments for new trade deals when they felt constrained by existing rules.

# A2: INTERDEPENDENCE

First, extend our Seattle Times evidence—bilateral trade solves the impact even if world trade collapses

Second, extend our Martin 2008 evidence—140 years of history from the Franco-Prussian War through September 11 disprove the connection between free trade and peace

And, trade is not key to economic interdependence

**STREETEN 2001** (Paul, Professor Emeritus of Economics at Boston University and Founder and Chairman of the journal World Development, Finance and Development, Vol 38, No 2, June)

Trade is, of course, only one, and not the most important, of many manifestations of economic interdependence. Others are the flow of factors of production—capital, technology, enterprise, and various types of labor—across frontiers and the exchange of assets, the acquisition of legal rights, and the international flows of information and knowledge. The global flow of foreign exchange has reached the incredible figure of $2 trillion per day, 98 percent of which is speculative. The multinational corporation has become an important agent of technological innovation and technology transfer. In 1995, the sales of multinationals amounted to $7 trillion, with these companies' sales outside their home countries growing 20-30 percent faster than exports.

Interdependence does not solve war—both world wars disprove this

**COPELAND 1996** (Dale, Assistant Professor in the Department of Government and Foreign Affairs at the University of Virginia, International Security, Spring)

Liberals argue that economic interdependence lowers the likelihood of war by increasing the value of trading over the alternative of aggression: interdependent states would rather trade than invade. As long as high levels of interdependence can be maintained, liberals assert, we have reason for optimism. Realists dismiss the liberal argument, arguing that high interdependence increases rather than decreases the probability of war. In anarchy, states must constantly worry about their security. Accordingly, interdependence - meaning mutual dependence and thus vulnerability - gives states an incentive to initiate war, if only to ensure continued access to necessary materials and goods. The unsatisfactory nature of both liberal and realist theories is shown by their difficulties in explaining the run-ups to the two World Wars. The period up to World War I exposes a glaring anomaly for liberal theory: the European powers had reached unprecedented levels of trade, yet that did not prevent them from going to war. Realists certainly have the correlation right - the war was preceded by high interdependence - but trade levels had been high for the previous thirty years; hence, even if interdependence was a necessary condition for the war, it was not sufficient. At first glance, the period from 1920 to 1940 seems to support liberalism over realism. In the 1920s, interdependence was high, and the world was essentially peaceful; in the 1930s, as entrenched protectionism caused interdependence to fall, international tension rose to the point of world war. Yet the two most aggressive states in the system during the 1930s, Germany and Japan, were also the most highly dependent despite their efforts towards autarchy, relying on other states, including other great powers, for critical raw materials. Realism thus seems correct in arguing that high dependence may lead to conflict, as states use war to ensure access to vital goods. Realism's problem with the interwar era, however, is that Germany and Japan had been even more dependent in the 1920s, yet they sought war only in the late 1930s when their dependence, although still significant, had fallen.

Trade does not solve war—globalized trade reduces the deterrent value of trade suspension which insulates aggressor states from punishment—this is the opposite of their interdependence arguments

**GOLDSTONE 2007** (P.R., PhD candidate in the Department of Political Science and a member of the Security Studies Program at the Massachusetts Institute of Technology. He is a non-resident research fellow at the Center for Peace and Security Studies, Georgetown University, AlterNet, September 25, http://www.alternet.org/audits/62848/?page=entire)

Many hope trade will constrain or perhaps pacify a rising China, resurgent Russia, and proliferation-minded Iran, as it well may. Nonetheless, any prudent analysis must incorporate caveats drawn from states' particular political economy of security policy. In non-democratic states, however important global markets may be to the economy in aggregate, elites will be most sensitive to sectoral interests of their specific power base. This mismatch can cause systematic distortions in their ability to interpret other states' strategic signals correctly when genuine conflicts of interest emerge with a nation more domestically constrained. Leadership elites drawn from domestic-oriented, uncompetitive, or non-tradable constituencies will tend to discount deterrent signals sent by trading partners whose own domestic institutions favor those commerce-oriented interests, believing such interests make partners less likely to fulfill their threats. For example, one reason the BJP government of India decided to achieve an open nuclear weapons capability was that its small-business, domestic-oriented heart constituency was both less vulnerable to trade sanctions and less willing to believe that the US would either impose or long sustain such sanctions, given its own increased economic interests in India. Sometimes, deterrent signals may not be sent at all, since one nation's governing coalition may include commerce-dependent groups whose interests prevent state leaders from actually undertaking necessary balancing responses or issuing potent signals of resolve in the first place; the result can be fatally muddled strategy and even war -- as witness the series of weak attempts before the First World War by finance-dominated Britain to deter "Iron and Rye"-dominated Germany. The emergence of truly global markets makes it all the less plausible under most circumstances that a revisionist state will be unable to find some alternative source of resources or outlet for its goods. Ironically, the more the international economy resembles a true global marketplace rather than an oligopolistic economic forum, the less likely it would appear that aggressors must inevitably suffer lasting retaliatory cut-offs in trade. There will always be someone else with the capability to buy and sell.

**Trade doesn’t solve conflict—best quantitative studies**

**Pevehouse 2004** – political science professor at U Wisconsin (Jon, The Journal of Politics, 66.1, “Interdependence Theory and the Measurement of International Conflict”, JSTOR)

Conclusions Although the results presented here are certainly not the final answer to the question of trade's influence on political relations, the evidence does suggest that a complex relationship exists between these two concepts. These complexities are suggested by the finding that trade may both increase the probability of conflict, yet restrain the frequency of that conflict. This observation is consistent with both realist and liberal theories concerning the political effects of interdependence. Unfortunately, each side of this debate has centered on only part of the empirical story. **The evidence garnered here** also **suggests** that **trade may not have a strong influence on the prospects for cooperative political relations**-an argument championed by some commercial liberals. All of these findings were made possible by reconsidering the nature of the competing claims of interdependence theory as well as reconsidering the measurement of the dependent variable of international conflict. Moving away from the MIDS data allows one to more accurately test some observable implications of interdependence theory. Obviously, the move away from the MIDS data is certainly not without drawbacks. Both events data sets are far more limited in their temporal coverage than the MIDS, and some have criticized the overall quality of the events data. Nonetheless, events data do appear to be useful in testing the impact of trade on political relations. From a policy perspective, these findings suggest that while increasing global trade can be a mechanism for lessening conflict, this is only part of the picture. Trade can create hostilities between states and while these tensions may not flower into widespread and violent military conflict, they can be a source of concern. These hostilities, however, should be viewed in their proper context--on the whole, higher trade dependence does lower conflict. It is not a panacea for the vagaries of nor is it a blight on interstate relations.

# A2: STUDIES / STATISTICS

Extend our Martin evidence—trade does not solve war—this relies on data from 140 years of conflict

And, prefer our studies—studies linking trade to peace are analytically weak

**GOLDSTONE 2007** (P.R., PhD candidate in the Department of Political Science and a member of the Security Studies Program at the Massachusetts Institute of Technology. He is a non-resident research fellow at the Center for Peace and Security Studies, Georgetown University, AlterNet, September 25, http://www.alternet.org/audits/62848/?page=entire)

The analytic literature on the Commercial Peace is much less robust than scholarship on the Democratic Peace, the latter positing the improbability of war between democracies. The Commercial Peace literature displays less consistency and theoretical rigor, with precise causes largely untested. Statistical analyses of trade relationships generally find that trade is conducive to peace; however, numerous case studies find that international trade either played no part in particular leaders' decisions about war or prompted them to escalate rather than become dependent on others.

**Correlation not causation—the studies that say trade solves war are inferior**

**Pollins et al 2004** – political science professors at Ohio State University and Indiana University (Brian M. Pollins, Omar M. G. Keshk, Rafael Reuveny, The Journal of Politics, 66.4, “Trade still follows the flag”, JSTOR, WEA)

Conclusions

"Trade brings peace" is a claim embraced by liberal political economy since the nineteenth century and trumpeted by many political leaders in our own time. The liberals inherited this claim from Enlightenment thinkers, who took it from early Christian writers, who heard it from classical Greeks. Some researchers today, standing on an impressive body of empirical results, ask us to accept this claim as true and final, and consider the issue closed. Based on our own results, we believe that would be a mistake. Careful specification of a simultaneous model of trade and conflict, exercised under a number of different assumptions, leads us to conclude that political relations affect flows of commerce between nations, and that when this effect is accounted for, the apparent impact of trade on conflict disappears. This is what we refer to as the "primacy of politics" in the tradeconflict relationship. So do we consider our results to be full and final? Do we consider the issue closed? Certainly not. For us, "trade brings peace" is a claim worthy of further exploration; it is and should remain an open question for some time. The key, we believe, is to begin the search for the boundary conditions, contingencies, and qualifiers under which commerce between nations actually will lessen the likelihood of conflict and when it will not. Such work is indeed beginning. Works cited above find that, inter alia, democratic institutions, domestic coalitions, forms and levels of economic development, or membership in specific types of international organizations may change the character of the trade-conflict relationship from negative to zero to positive. We also look forward to studies that consider different aspects of the concept of "economic interdependence" and how different dimensions of that phenomenon may affect the possibilities of conflict quite differently. And "conflict" itself is certainly a complex occurrence that is not captured fully by binary observations on militarized disputes alone. There is still much to be explored regarding ways in which economic interdependence may affect different forms and levels of conflict. The results reported here underscore the need for continued work on the relationship between trade and conflict. **Mainstream ideology and a large body of empirical studies claim that trade brings peace. Our results clearly indicate that trade does not bring peace**, **and the apparent relationship between them may well result from simultaneity bias**. But we, as a research community, will waste our time if we frame this debate by asking merely whether trade brings peace. Instead, we must move now to specifying when and how it does and does not operate as the liberals claim. Those interested in further exploration of this question can take this from our findings: there is solid reason to doubt that the liberals are always and everywhere correct, and good reason to believe that the politics entwined within the trade-conflict nexus is a central part of that story.

And, extend our other Goldstone evidence—even if trade can build support for peace, it won’t do it in countries with the biggest impacts and it won’t pacify all business constituencies which matter

# EXT: HISTORY

Trade does not solve war—both world wars and fifty years of other conflicts disprove this

**TAN 1999** (MAJ Tan Yan Yee attended the Royal Military College in Duntroon, Australia from 1987-1988. He graduated from the London School of Economics and Political Science with a B.Sc. (Econs) degree in 1992. An infantry officer by vocation, he attended the Singapore Command and Staff College in 1998 and is presently the S3 of 10 SIB, Journal of the Singapore Armed Forces, Jan-March)

Events leading up to the two World Wars amply illustrates the weaknesses of both theories. Prior to WWI, the European powers had reached unprecedented levels of trade, but this did not prevent the outbreak of war. Some liberals have sought to explain this by arguing that political leaders then did not understand how beneficial interdependence was, and how costly war would be. This is plausible, as it is likely that few statesmen or even military leaders then did not believe that the war would be over relatively quickly.�� However, it remains that greater interdependence failed disastrously to prevent the political crisis that led to WWI. Realists, on the other hand, fared no better. Although a high level of interdependence undoubtedly preceded WWI, such a situation had been prevailing for at least the best part of the previous 30 years, without causing any major conflict. If one were to be generous to the realist viewpoint, it can only be said that interdependence was a necessary but not sufficient condition for the War. Applying the liberal and realist arguments to WWII presents equally problematic outcomes. At first glance, the inter-war period seems to support liberalism over realism. In the 1920's, interdependence was high, and the world was largely peaceful. In the 1930's, as entrenched protectionism resulted in declining interdependence, international tension rose to the point that WWII erupted. Such a conclusion, however, would be wrong. Among the major protagonists during WWII, the Axis powers of Germany and Japan were the most dependent on other states for their raw materials and other vital goods; yet they were the ones that contributed most to the outbreak of war. It is fair to say that both states, especially Japan, resorted to war partly as a means of ensuring continued access to vital supplies. The period since the end of WWII has not helped to resolve this prolonged debate. International trade has enjoyed robust growth in the five decades since the end of WWII. The international economy is as integrated as it has ever been, with the economic situation in one country often affecting the outlook for other countries, as events in the recent financial turmoil has shown. International institutions and organisations have also become permanent features of the international society.�� In recent years, globalisation has further heightened the level of interdependence between states, so much so that the present trend towards ever-greater interdependence is probably irreversible.�� At the same time, the costs of war have also been proportionately rising with the development of increasingly sophisticated and destructive weapons and munitions. If the liberals are correct, then we should certainly see a reduced propensity for conflict among states. Yet the numerous conflicts over the last 50 years does not point to that conclusion. On the other hand, if the realists are correct, the world should certainly be close to a third world war by now. Yet it is hard to argue that there were more conflicts in recent years. In addition, none of these wars remotely approach the scale of the two World Wars fought in the earlier part of this century.

**Last 100 years disproves their impact**

**Ebeling 2 (Richard M., Ludwig von Mises Professor of Economics Hillsdale College in Hillsdale, Michigan and an adjunct scholar of the Mises Institute, 3/18, pg. http://www.mises.org/story/915)**

In the post-Soviet era, and in spite of the end of the cold war, wars have continued around the world, including the Persian Gulf War in 1991, the disintegration of Yugoslavia and foreign intervention in Bosnia and Kosovo. And now, following the terrorist attacks in New York and Washington, D.C., in September 2001, the United States has attacked and militarily overthrown the government of Afghanistan and threatened war against an "axis of evil" comprised of Iraq, Iran, and North Korea. None of the wars, conflicts, and mass murders of the twentieth century can be blamed on free trade or explained in terms of free trade. The entire last one hundred years was a revolt against the ideas and ideals of the Classical Liberals of the nineteenth century. When the United States and Great Britain at the end of the Second World War stated their intention of establishing a new economic order for the world, their goal and the institutions arising from their intention was for international managed trade, not global free trade. Ludwig von Mises observed during the Second World War that "A nation’s policy forms an integral whole. Foreign policy and domestic policy are closely linked together, they condition each other. Economic nationalism is the corollary of the present-day domestic policies of government interference with business and of national planning as free trade was the complement of domestic economic freedom."[[4]](http://www.mises.org/story/915" \l "_edn4" \o ") The interventionist and planning ideas during the last one hundred years meant that trade among nations could not be left outside of government oversight and control, lest the directions and patterns of international trade undermine and frustrate the goals and purposes of national governments in their domestic affairs.[[5]](http://www.mises.org/story/915" \l "_edn5" \o ") Free trade was unable to prevent war in the twentieth century because by 1914, very few people believed any longer in the idea of liberty.[[6]](http://www.mises.org/story/915" \l "_edn6" \o ") The spirit of economic freedom reached its zenith in the 1860s and 1870s. From then on a counterrevolution began against freedom. Germany was a major catalyst for the change in ideological and policy direction with its return to protectionism and implementation of many of programs of the modern welfare state.[[7]](http://www.mises.org/story/915" \l "_edn7" \o ") But France also started to move in this direction with regulations and pressures that gave the government increasing influence and, in fact, control over the patterns of French foreign investment in other countries to reinforce its political foreign policy objectives, as well as restrictions on foreign investments made inside France. And even in Great Britain, which retained the closest approximation to free trade principles for the longest time--until the opening shots of the First World War--the London investment houses would informally make sure that their foreign loans and investments did not conflict with the wider policy goals of the British government.[[8]](http://www.mises.org/story/915" \l "_edn8" \o ") The First World War was the culmination of this process, with nation and state completely becoming one as belligerent powers made all aspects of social and economic life subservient to the ends of war.

# EXT: HISTORY (wto)

Trade and the WTO do not create peace—hundreds of years of conflict disprove this

**HAWKINS 2003** (William, Senior Fellow for National Security Studies at the U.S. Business and Industry Council, “Successfully Rebuilding Iraq Requires Rejection of 'Globalization,’” American Economic Alert, April 23, http://www.americaneconomicalert.org/view\_art.asp?Prod\_ID=807)

The descendants of Manchester Liberalism, the alliance of left-wing ideology and multinational corporate greed united by their opposition to the nation-state and great power politics, have been arguing that the Iraq War is a threat to the "globalization" which they airily proclaim is the pillar of world progress. In the April 22 Financial Times, former director-general of the World Trade Organization Peter Sutherland wrote, "Right now the great powers are juggling not only with the credibility and integrity of the Security Council or the United Nations itself. They are putting at stake a system of international interdependence and decision-making through painstaking consensus building that has, for the most part, stood the test of time." He then went on to claim that the WTO has "quietly demoted commercial conflict as a cause of war. Now there is an alternative to bearing arms and raising navies in the pursuit of economic interest." But what "test of time" can he really cite? The years since World War II? Most of that era was dominated by the Cold War, during which trade and investment followed geopolitical lines. The post-Cold War period? The 1990s was the decade of globalization, but it was too short a time to validate any "test." Indeed, looking back over the last 500 years, during which the commercial and industrial revolutions ushered in a period of economic growth unimaginable in earlier centuries, the doctrines of Manchester Liberalism have been most conspicuous by their absence. The great German-American economist Friedrich List exposed the fatal flaw of this liberal ideology in the 19th century, writing in 1841 that it "has assumed as being actually in existence a state of things which has yet to come into existence. It assumes the existence of a universal union and a state of perpetual peace." The 162 years of more nearly perpetual conflict since have not provided much support for the liberal view.

# EXT: BILAT V MULTILAT

Trade does not solve war—globalization increases the risk of bilateral war even though it lowers the risk of multilateral war

**MARTIN, MAYER, AND THOENIG 2008 (**Phillipe, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, and Centre for Economic Policy Research; Thierry MAYER, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, CEPII, and Centre for Economic Policy Research, Mathias THOENIG, University of Geneva and Paris School of Economics, The Review of Economic Studies 75)

The objective of this paper is to shed light on the following question: If trade promotes peace as suggested by the European example, why is it that globalization, interpreted as trade liberalization at the global level, has not lived up to its promise of decreasing the prevalence of violent interstate conflicts? We offer a theoretical and empirical answer to this question. On the theoretical side, we build a framework where escalation to military conflicts may occur because of the failure of negotiations in a bargaining game. The structure of this game is fairly general: (1) war is Pareto dominated by peace, (2) countries have private information, and (3) countries can choose any type of negotiation protocol. We then embed this game in a standard new trade theory model.We show that a pair of countries with more bilateral trade has a lower probability of bilateral war. However, multilateral trade openness has the opposite effect: Any pair of countries more open with the rest of the world decreases its degree of bilateral dependence and its cost of a bilateral conflict, and this results in a higher probability of bilateral war. A theoretical prediction of our model is that globalization of trade flows changes the nature of conflicts. It decreases the probability of global conflicts (maybe the most costly in terms of human welfare) but increases the probability of any bilateral conflict. The reason for the second result is that globalization decreases the bilateral dependence for any country pair, and this weakens the incentive to make concessions in order to avoid the escalation of a dispute into a bilateral military conflict. This is especially true for countries with a high probability of dispute with a local dimension such as disputes on borders, resources, and ethnic minorities.

# EXT: PERCEPTION KEY

Expectations of declining trade cause war—actual levels of trade do not encourage or stop aggression

**COPELAND 1996** (Dale, Assistant Professor in the Department of Government and Foreign Affairs at the University of Virginia, International Security, Spring)

The theory presented in this article - the theory of trade expectations - helps to resolve these problems. The theory starts by clarifying the notion of economic interdependence, fusing the liberal insight that the benefits of trade give states an incentive to avoid war with the realist view that the potential costs of being cut off can push states to war to secure vital goods. The total of the benefits and potential costs of trade versus autarchy reveals the true level of dependence a state faces, for if trade is completely severed, the state not only loses the gains from trade but also suffers the costs of adjusting its economy to the new situation. Trade expectations theory introduces a new causal variable, the expectations of future trade, examining its impact on the overall expected value of the trading option if a state decides to forgo war. This supplements the static consideration in liberalism and realism of the levels of interdependence at any point in time, with the importance of leaders' dynamic expectations into the future. Levels of interdependence and expectations of future trade, considered simultaneously, lead to new predictions. Interdependence can foster peace, as liberals argue, but this will only be so when states expect that trade levels will be high into the foreseeable future. If highly interdependent states expect that trade will be severely restricted - that is, if their expectations for future trade are low - realists are likely to be right: the most highly dependent states will be the ones most likely to initiate war, for fear of losing the economic wealth that supports their long-term security. In short, high interdependence can be either peace-inducing or war-inducing, depending on the expectations of future trade. This dynamic perspective helps bridge the gaps within and between current approaches. Separating levels of interdependence from expectations of future trade indicates that states may be pushed into war even if current trade levels are high, if leaders have good reason to suspect that others will cut them off in the future. In such a situation, the expected value of trade will likely be negative, and hence the value of continued peace is also negative, making war an attractive alternative. This insight helps resolve the liberal problem with World War I: despite high trade levels in 1913-14, declining expectations for future trade pushed German leaders to attack, to ensure long-term access to markets and raw materials. Even when current trade is low or non-existent, positive expectations for future trade will produce a positive expected value for trade, and therefore an incentive for continued peace. This helps explain the two main periods of detente between the Cold War superpowers, from 1971 to 1973 and in the late 1980s: positive signs from U.S. leaders that trade would soon be significantly increased coaxed the Soviets into a more cooperative relationship, reducing the probability of war. But in situations of low trade where there is no prospect that high trade levels will be restored in the future, highly dependent states may be pushed into conflict. This was the German and Japanese dilemma before World War II. The article is divided into three sections. The first section reviews liberal and realist theories on the relationship between economic interdependence and the probability of war, and provides a critique of both theories. The second section lays out trade expectations theory. The final section examines the diplomatic historical evidence for the new theory against two significant cases: Germany before World War I and Germany before World War II. The evidence indicates that the new variable, expectations of future trade, helps resolve the anomalies for current theories: in both cases, negative expectations for future trade, combined with high dependence, led leaders into total war out of fear for their long-term economic position and therefore security.

Faith that trading partners will continue free trade is the key factor in war—actual trade levels don’t matter

**COPELAND 1996** (Dale, Assistant Professor in the Department of Government and Foreign Affairs at the University of Virginia, International Security, Spring)

In deciding between peace and war, however, a state can not refer simply to its dependence level. Rather, it must determine the overall expected value of trade and therefore the value of continued peace into the foreseeable future. The benefits of trade and the costs of severed trade on their own say nothing about this expected value. Dynamic expectations of future trade must be brought in. If the state has positive expectations that the other will maintain free and open trade over the long term, then the expected value of trade will be close to the value of the benefits of trade. On the other hand, if the state, after having specialized, comes to expect that trade will be severed by the trading partner, then the expected value of trade may be highly negative, that is, close to the value of the costs of severed trade. In essence, the expected value of trade may be anywhere between the two extremes, depending on a state's estimate of the expected probability of securing open trade, or of being cut off.(31) This leads to a crucial hypothesis. For any given expected value of war, we can predict that the lower the expectations of future trade, the lower the expected value of trade, and therefore the more likely it is that war will be chosen. It is important to note that the expected value of trade will not be based on the level of trade at a particular moment in time, but upon the stream of expected trade levels into the future. It really does not matter that trade is high today: if state A knows that B will cut all trade tomorrow and shows no signs of being willing to restore it later, the expected value of trade would be negative. Similarly; it does not matter if there is little or no trade at present: if state A is confident that B is committed to freer trade in the future, the expected value of trade would be positive. The fact that the expected value of trade can be negative even if present trade is high, due to low expectations for future trade, goes a long way towards resolving such manifest anomalies for liberal theory as German aggression in World War I. Despite high levels of trade up to 1914, German leaders had good reason to believe that the other great powers would undermine this trade into the future; hence, a war to secure control over raw materials and markets was required for the long-term security of the German nation. Since the expected value of trade can be positive even though present trade is low, due to high expectations for future trade, we can also understand such phenomena as the periods of detente in U.S.-Soviet relations during the Cold War (1971-73 and after 1985). While East-West trade was still relatively low during these times, the Soviet need for Western technology, combined with a growing belief that large increases in trade with the West would be forthcoming, gave the Soviets a high enough expected value of trade to convince them to be more accommodating in superpower relations.(32)

# A2: BILAT HURTS MULTILAT

**No impact—alternative trade arrangements don’t undermine the WTO framework**

**Polaski 2006** – director of the Trade, Equity, and Development Project at Carnegie, Secretary of State’s Special Representative for International Labor Affairs (Sandra, Carnegie Endowment for International Peace, “The future of the WTO”, http://www.carnegieendowment.org/files/Polaski\_WTO\_final\_formatted.pdf, WEA)

The Alternatives to the Doha Round While there is broad recognition that the Doha Round was not on track to achieve an ambitious or balanced outcome, some lament the collapse of the round nonetheless, arguing that it will unleash a frenzy of bilateral and regional trade deals. These deals would exclude some countries, and if negotiated between unequal partners, might be even worse for the weaker countries than the deal on offer at the WTO. That much is true. However, it is not at all clear that negotiations for smaller trade deals will accelerate or that they will undermine the WTO. If the U.S. fast track trade negotiating authority is not extended, it will be impossible for the U.S. administration to achieve new bilateral free trade agreements. Congress would be free to amend any tentative deals at will, making negotiations impossible. The U.S. strategy of “competitive liberalization” would come to a halt. In Asia, regional and bilateral trade pacts have been proliferating rapidly. The ongoing WTO negotiations have had no impact on the pace of those talks, and the collapse of Doha will neither accelerate nor decelerate Asian integration. The trade talks in Asia are meant to facilitate integrated production in the region, in addition to consolidating the economic interests of major Asian powers. Those countries depend on outside markets, particularly the rich markets of the United States and Europe, to take their export production, so they have no incentive to turn away from the WTO, regardless of how many regional pacts they conclude. In Europe, an ambitious negotiating agenda has been underway for several years to replace current preferential trade arrangements that benefit countries in Africa, the Caribbean, and the Pacific with free trade agreements by the end of 2008. These talks have run into substantial obstacles because of development concerns on the part of the ACP countries, similar to the issues that bedevil the global talks. Europe may pursue other bilateral deals over the next two years, but there is little reason to think that any big agreements will be easy to achieve.

# A2: TRADE LEADERSHIP

**Trade leadership is permanently damaged and they can’t overcome alt causes**

**Kim 2010** – Policy Analyst in Heritage's Center for International Trade and Economics, master's degree in international trade and investment policy from the Elliott School of International Affairs at the George Washington University (4/12, Anthony, Heritage Foundation, “A trade war averted for now”, http://blog.heritage.org/2010/04/12/a-trade-war-averted-for-now/, WEA)

So, a trade war was avoided. More precisely, it has been delayed. Considerable murkiness lingers on the trade horizon, and not just with Brazil. As Friday’s WSJ editorial points out: \* WTO-approved retaliation to counteract U.S. trade violations is spreading. More than $3.4 billion [in] U.S. exports now face punishing retaliation tariffs. \* The U.S.’s most economically damaging trade war is with Mexico. As part of the North American Free Trade Agreement ([NAFTA]), the U.S. is supposed to give Mexican trucking companies access to the U.S. But 17 years into [NAFTA], Mexican trucks still don’t cross the border, because the Teamsters union won’t accept the competition. A [NAFTA] dispute panel [has] authorized Mexico to retaliate. Last year it imposed duties on $2.4 billion of U.S. exports. \* The [European] Union and Japan have also asked the WTO for authorization to retaliate because the U.S. Commerce Department insists on deciding antidumping cases with an arcane calculation that the WTO ruled against in 2007. As a result, according to the trade publication “Inside U.S. Trade”, both Japan and the European Union are eyeing retaliation. The total value of U.S. exports affected could top $500 million. The fallout from U.S. protectionism will hurt our ongoing economic recovery efforts. The protectionism itself is doing irrevocable damage to America’s leadership in international economic discussions. Free trade and its expansion through multilateral, regional, and bilateral agreements have been vital to world economic strength and prosperity. Treasury Secretary Tim Geithner commented during his recent two-day visit to India that President Obama “was ‘deeply committed’ to trying to build a consensus among Americans for more open trade and to support the [economic] recovery,” as noted in the Financial Times. While the Obama Administration has repeatedly said that the U.S. will not abandon its legacy of supporting open and free commerce, the fact is that it has done little to nothing to demonstrate that commitment in more substantive terms. One sign of inaction: three pending free trade agreements with Panama, Colombia, and South Korea remain on ice. Talking about “strengthening” America’s trade relations around the world, boosting exports, and even enforcing trade rules are only empty gestures without tangible action to re-establish America’s leadership in advancing free trade.

# A2: U.S. PROTECTIONISM

**The U.S. will never abandon free trade--institutions and self-interest check**

**Ikenson 2009** – director of Cato's Center for Trade Policy Studies (Daniel, Center for Trade Policy Studies, Free Trade Bulletin 37, “A protectionism fling”, http://www.cato.org/pub\_display.php?pub\_id=10651, WEA)

A Growing Constituency for Freer Trade The WTO/GATT system was created in the first place to deter a protectionist pandemic triggered by global economic contraction. It was created to deal with the very situation that is at hand. But in today's integrated global economy, those rules are not the only incentives to keep trade barriers in check. With the advent and proliferation of transnational supply chains, cross-border direct investment, multinational joint ventures, and equity tie-ups, the "Us versus Them" characterization of world commerce no longer applies. Most WTO members are happy to lower tariffs because imports provide consumers with lower prices and greater variety, which incentivizes local business to improve quality and productivity, which is crucial to increasing living standards. Moreover, many local economies now rely upon access to imported raw materials, components, and capital equipment for their own value-added activities. To improve chances to attract investment and talent in a world where capital (physical, financial, and human) is increasingly mobile, countries must maintain policies that create a stable business climate with limited administrative, logistical, and physical obstacles. The experience of India is instructive. Prior to reforms beginning in the 1990s, India's economy was virtually closed. The average tariff rate on intermediate goods in 1985 was nearly 150 percent. By 1997 the rate had been reduced to 30 percent. As trade barriers were reduced, imports of intermediate goods more than doubled. The tariff reductions caused prices to fall and Indian industry suddenly had access to components and materials it could not import previously. That access enabled Indian manufacturers to cut costs and use the savings to invest in new product lines, which was a process that played a crucial role in the overall growth of the Indian economy.16 India's approach has been common in the developing world, where most comprehensive trade reforms during the past quarter century have been undertaken unilaterally, without any external pressure, because governments recognized that structural reforms were in their country's interest. According to the World Bank, between 1983 and 2003, developing countries reduced their weighted average tariffs by almost 21 percentage points (from 29.9 percent to 9.3 percent) and unilateral reforms accounted for 66 percent of those cuts.17 The Indispensible Nation The United States accounts for the highest percentage of world trade and has the world's largest economy. The WTO/GATT system is a U.S.-inspired and U.S.-shaped institution. Recession in the United States has triggered a cascade of economic contractions around the world, particularly in export-dependent economies. Needless to say, U.S. trade policy is closely and nervously observed in other countries. But despite the occasional anti-trade rhetoric of the Democratic Congress and the protectionist-sounding campaign pledges of President Obama, the United States is unlikely to alter its strong commitment to the global trading system. There is simply too much at stake. Like businesses in other countries, U.S. businesses have become increasingly reliant on transnational supply chains. Over 55 percent of U.S. import value in 2007 was of intermediate goods, which indicates that U.S. producers depend highly on imported materials, components, and capital equipment. And there is also the fact that 95 percent of the world's population lives outside of the United States, so an open trade policy is an example to uphold.

# A2: TRADE DISPUTES ESCALATE

**Single blows against trade don’t spread—no impact**

**Ikenson 2009** – director of Cato's Center for Trade Policy Studies (Daniel, Center for Trade Policy Studies, Free Trade Bulletin 37, “A protectionism fling”, http://www.cato.org/pub\_display.php?pub\_id=10651, WEA)

Still even more importantly, the trade rules are not so restrictive that governments obsess over finding ways around them. It is not the existence of the rules that compels countries to liberalize trade. Governments typically are not looking for excuses to raise trade barriers. If compliance were the primary motivation for countries to liberalize trade, we would not observe applied tariff rates that are so much lower than the maximum allowable rates. And we would likely observe much greater use of the various trade remedies across industries and more invocation of restrictions in the name of health and other technical barriers to trade. Trade liberalization is motivated by self-interest, and the disparities between bound and applied rates are explained by the fact that most members have a preference for openness. There are real benefits, beyond the reciprocal openings of others' markets, to keeping one's own trade barriers low. Nevertheless, governments have been invoking protectionist measures over the past several months. Here are just a few examples:6z \* In India, tariffs and other restrictions have been raised on some steel products; \* Ecuador raised tariffs on 940 different products by a range of 5 to 20 percentage points; \* Indonesia limited the number of points of entry into domestic commerce for imported products and is requiring its civil servants to buy only Indonesianmade products; and \* Argentina made licensing requirements more onerous for so-called sensitive products, such as auto parts, textiles, TVs, and shoes. And here is how a top-circulation American daily newspaper described the global flirtation with trade barriers in December: Moving to shield battered domestic manufacturers from foreign imports, Indonesia is slapping restrictions on at least 500 products this month, demanding special licenses and new fees on imports. Russia is hiking tariffs on imported cars, poultry and pork. France is launching a state fund to protect French companies from foreign takeovers. Officials in Argentina and Brazil are seeking to raise tariffs on products from imported wine and textiles to leather goods and peaches.7 There may be nothing necessarily incorrect about the facts reported. But the tone and implications are possibly misleading. It is hard to accept the otherwise marginally significant facts without also accepting the provocative metaphors and sense of impending doom. Those actions have less antagonistic explanations and more benign interpretations. The actions of Indonesia, Argentina, and Brazil are consistent with their rights under the WTO agreements and will have a negligible collective impact on world trade. Russia is not even a member of the WTO and frequently behaves outside of international norms, so its actions have very limited representative value. And France has intervened to block foreign takeovers of French companies on other occasions this decade, so its actions are not particularly noteworthy. The popular media usually lacks nuance in its accounting of trade policy events and often intones that the present will be a replay of the 1930s.

**Zero risk of a trade war**

**Suominen** **2009** (transatlantic fellow at the German Marshall Fund of the United States and trade economist at the Inter-American Development Bank in Washington, 2009 (Kati, “A New Age Of Protectionism? the Economic Crisis And Transatlantic Trade Policy”, the German Marshall Fund Of The United States, [http://www.gmfus.org//doc/Suominen%20final.pdf](http://www.gmfus.org/doc/Suominen%20final.pdf), March 2009)

This paper makes three arguments First, fears of an all-out trade war and spiraling protectionist backlash are exaggerated. There are a great many insurance policies in place to pre-empt anything akin to the beggar-thy-neighbor policies of the 1930s, including a solid multilateral system with bound tariffs and a credible dispute settlement mechanism, dozens of bilateral free trade deals with often deep tariff commitments, solid intellectual backing for free trade, well-organized export lobbies, and the unprecedentedly large stake that countries around the world have in the policies of their trading partners and the fortunes of the global trading system.

# TRADE COLLAPSE INEVITABLE

**It’s inevitable—currency manipulation**

**Pettis 2009** – Professor of Finance with Peking University’s Guanghua School of Management, member of the Institute of Latin American Studies Advisory Board at Columbia University as well as the Dean’s Advisory Board at the School of Public and International Affairs (12/1, Michael, Carnegie Endowment, “Competitive Devaluations Threaten a Trade War”, http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=24248, WEA)

Vietnam’s decision to devalue its currency by 5 per cent last week to protect itself from undervaluation of the Chinese renminbi, and the worried response from Thailand and other Asian countries, suggests the move towards global trade conflict may already be unstoppable. As one group of countries seeks to gain or maintain trade advantage by manipulating their currencies, the historical precedent suggests that countries that are not able to devalue will respond with trade protection, especially tariffs and other barriers, and global trade will suffer. In the 1930s many, but not all, major economies imposed draconian constraints on trade which sharply contracted international commerce and almost certainly slowed the global recovery. It was widely understood then that the collapse in international trade would only worsen the crisis, and yet countries, seeking to protect their own positions, collectively engaged in behaviour that left them worse off. American economists Barry Eichengreen and Douglas Irwin recently published a paper examining the roots of the post-1930 surge in protection. They argue that during the 1920s and shortly after the onset of the 1929 crisis, several countries abandoned the gold standard and engaged in beggar-thy-neighbour competitive devaluations. These countries subsequently experienced rapid improvements in their trade balances and suffered much less from the ravages of the global contraction of the 1930s. But others, most obviously the US and European “gold bloc” countries, were sharply constrained in their ability to adjust their currencies. These countries suffered much of the brunt of the adjustment as imports became more competitive against their domestic industries, especially in relation to countries that were less constrained. These were also the countries that were most likely to resort to what the authors call the “second-best” adjustment mechanisms – tariffs, import quotas, exchange controls, and so on. “The exchange rate regime and economic policies associated with it were key determinants of trade policies of the early 1930s,” they wrote. “Countries that remained on the gold standard, keeping their currencies fixed against gold, were more likely to restrict foreign trade. With other countries devaluing and gaining competitiveness at their expense, they adopted such policies to strengthen the balance of payments and fend off gold losses.” That should not surprise us. In a world of contracting global demand policymakers were concerned not just with measures to boost domestic demand but also with measures that allowed them to acquire a greater share of foreign net demand. The easiest way to do this was by devaluation. But countries that were unable to realign their currencies remained under pressure to find alternative ways of helping their domestic industries. They resorted to tariffs and import quotas. The same thing may be happening again. Of course no currency is any longer tied to gold, so there is no country whose ability to devalue, as in the 1930s, is limited by a commitment to maintain gold parity. But there are countries whose abilities to manage their currencies are nonetheless severely constrained. The US dollar, for example, is widely believed to be overvalued, especially in relation to the currencies of Asian nations. Because of massive intervention by Asian central banks, however, it is proving almost impossible for the dollar to adjust sufficiently, except against floating currencies such as the euro. This creates a similar problem for Europe. Although few analysts believe the euro to be undervalued against the dollar – indeed, most believe it is more likely to be overvalued – it is nonetheless forced to bear the brunt of US dollar adjustment by further appreciation. This means that both the US and eurozone countries suffer from currency intervention and competitive devaluations elsewhere, with little room to adjust. What can the US and Europe do? If Messrs Eichengreen and Irwin are right, they are likely to resort to the same “second-best” options available to them as countries locked into overvalued gold exchange rates in the 1930s. They will raise tariffs or otherwise intervene directly in trade, and it is pretty clear already that as US and European anger over currency misalignment grows, the recourse to protectionism is also growing. Nearly everyone agrees that a world that retreats into direct and indirect forms of trade protection is a world that is worse off and likely to recover more slowly from the global crisis. But the fact that everyone seems to agree on this point should not allay our worries. In the 1930s, it was also well understood that the crisis would be exacerbated by plunging international trade. This did not stop a descent into protectionism which put the “Great” into the Great Depression. Once again it seems we are going to make the same mistake. Countries that can expand their share of global demand by competitive devaluations are seeking to do so. Countries that cannot will almost certainly consider more direct forms of intervention. We should worry. Without serious global co-ordination, in which the US and Europe forswear protectionism in exchange for significant appreciation of undervalued currencies, rising tariffs appear inevitable.

**Global trade is toast**

**Markheim**, Senior Trade Policy Analyst, **and Miller,** Ambassador and Director of the Center for International Trade and Economics at the Heritage Foundation, **2009** (Daniella and Terry, “Global Trade Liberalization Continues, But Risks Abound”,

http://www.heritage.org/Research/tradeandeconomicfreedom/bg2320.cfm)

The U.S. auto bailout set off a rash of government handouts, cheap loans, and other interventions in the industry in France, Japan, Germany, the United Kingdom, China, Argentina, Brazil, Sweden, and Italy, among other countries.[5] Direct and indirect subsidies for the financial sector, insurance firms, and other sensitive industries can be very costly for both domestic and global markets. Firms receiving government handouts obtain an artificial competitive advantage over firms that do not, which could result in more efficient and productive companies being driven out of business. If those subsidies come with requirements that subsidized firms employ only domestic workers, lend only to domestic businesses, or buy only from domestic suppliers, the economic distortions they introduce are even more pernicious, forcing the inefficient allocation of resources across countries and causing economic harm to businesses and families around the world. Export subsidies are particularly trade-distorting and, in the case of agriculture products, an especially sensitive topic within the WTO. Subsidies and many other domestic support programs artificially prop up domestic prices for food and food products. Thus, they raise the cost of living for families buying food that is produced expensively in home markets. In addition, the same trade measures depress world prices for agricultural products, negatively affecting farmers in developing countries and stifling their attempts to weather the economic downturn, rise from poverty, and improve their living standards. In late May 2009, the U.S. announced export subsidies to bolster international sales of U.S. dairy products. Blaming the role of similar subsidies introduced by the EU in January 2009 for declining U.S. competitiveness in global dairy markets, America has opted to respond in kind instead of trying to persuade the Europeans to eliminate their trade-distorting measures--the very kinds of measures that both the EU and U.S. promised to avoid in their G-20 pledges. The expanded use of domestic preferences in government procurement dictated in "Buy American" provisions harms the domestic economy as well as the international market. Limiting competition to domestic firms increases the likelihood that government will not get the best value for the taxpayers' dollar. Moreover, while the U.S. promised to adhere to its international commitments of maintaining some openness to foreign sources in government procurement, this promise means less than it might appear. Only national signatories to the Agreement on Government Procurement in the WTO or U.S. free trade agreements have some protection under the new provisions. Many more countries, including such key U.S. trade partners as India, Brazil, and China, could be shut out from U.S. government contracts and retaliate in kind, closing the door on U.S. firms anxious to find customers anywhere they can. Where America walks, others may choose to follow. Not forgotten are new or higher tariffs, quotas, import and export taxes, and outright bans on trade. Among others, Russia has raised tariffs on automobiles; Brazil, on certain steel products; Vietnam, on semi-finished iron and non-alloy steel; India, on soybean oils; Zambia, on finished petroleum products; and Ecuador, on more than 600 products.[6] China has banned the import of Belgian chocolate, Italian brandy, and other products, and India has closed its market to toys from China.[7] Less transparent but with as much potential to undermine international trade are new, excessive trade-licensing rules, tax levies and rebates, sanitary and product safety restrictions, environmental controls, and other regulatory non-tariff barriers to trade that many countries are adopting. Examples include Indonesia restricting port access for certain garments, footwear, toys, electronics, and food and Argentina imposing non-automatic licensing requirements on a host of goods.[8] Today, more barriers to trade are being considered by countries around the world. Not all of these measures violate international trade commitments made by countries in the WTO or other regional and bilateral trade agreements; but all restrict trade, distort economic incentives, restrain worldwide growth, and ultimately undermine the rules-based spirit of the WTO and the international trade system it monitors. With many countries taking an incremental approach to adding barriers to trade, many measures may seem trivial when considered in isolation and relative to total trade flows. However, when these measures are aggregated, the concern that the international trading system will eventually drown under a steadily rising tide of protectionism becomes very real. Global trade is put at risk today by the growing number of distortions that new protectionist policies are imposing on markets. Moreover, global trade is put at risk in the future as the specter of a global trade war looms larger with each new tit-for-tat trade restriction that countries impose on each other, and as the worsening and increasingly confrontational trade environment undermines the chance for a timely conclusion to the Doha Round.

**Trade is doomed**

**Miller and Markheim 2009** – Ambassador to the UN Economics and Social Council, Director of the Center for International Trade and Economics at Heritage (9/28, Terry and Daniella, Heritage Foundation, “Global Trade Liberalization Continues, But Risks Abound”, http://www.heritage.org/Research/Reports/2009/09/Global-Trade-Liberalization-Continues-But-Risks-Abound, WEA)

After more than half a century of trade liberalization, multilateral efforts at the World Trade Organization (WTO) and elsewhere have ground to a halt. So far, negotiations within the Doha Round have failed to result in a comprehensive agreement that is satisfactory to all WTO members. The collapse of negotiations in July 2008 reflects both divergent thinking on the role that trade liberalization plays in advancing economic development and intransigence among some members with respect to upholding their commitment to eliminating trade barriers. Moreover, the Doha process of multilateral trade negotiations is based on the idea that it is easier for countries to lower their tariffs and other trade barriers if others do so as well. There is some political merit to this idea. The actual negotiations, however, involve a dynamic that runs counter to the goal of freeing trade. Countries hold jealously to protectionist measures that hurt the efficiency of their own economies, offering them up only in exchange for similar "concessions" from others. The psychology of the process could not be worse, because it encourages countries to value things that hurt themselves, like tariffs, import quotas, or domestic subsidies. With trade negotiations in the WTO stalled, the continued lack of a new, comprehensive multilateral trade pact reduces countries' discipline in keeping a rein on using protectionist measures to prop up domestic companies during the current economic slump. Higher tariffs, quotas, government subsidies and cheap loans to businesses, restrictive domestic-preference requirements in government procurement, and new regulatory barriers to trade are only some of the policy mechanisms that nations are introducing in a misguided attempt to bolster their domestic economies. These measures not only distort and reduce international markets for goods and services, but also have a chilling effect on private investment at home--the very thing needed to help economies get back on track and grow in the longer term.Moreover, protectionism adds to the economic burden faced by families that are trying to stretch uncertain incomes to pay for more expensive goods and can result in lost jobs when import-using firms either can no longer afford to stay in business or lose customers as the wall protecting foreign markets grows ever higher. Indeed, households in highly trade-dependent countries are hit especially hard when markets contract as a consequence of the global recession and then again when trade partners resort to protectionism. Recent WTO and World Bank studies, in addition to revealing the impact that the global recession has had on trade, shed some light on the protectionist measures that countries have adopted in response to tougher economic times. The WTO reports that global trade will contract this year by 10 percent.[2] Additionally, the volume of trade from developed countries is expected to fall by an average of 14 percent, and from developing countries by an average of 7 percent.[3] This forecast contraction in trade is being driven largely by falling global demand, but it could be exacerbated by an increase in the world's use of trade measures to protect domestic special interests from competition. After a few short months, the World Bank reported that 17 G-20 members and other countries had implemented approximately 78 new trade-restrictive measures since the onset of the financial crisis and that 47 of these measures had been adopted since the G-20 pledge against protectionism in November 2008.[4] The U.S. auto bailout set off a rash of government handouts, cheap loans, and other interventions in the industry in France, Japan, Germany, the United Kingdom, China, Argentina, Brazil, Sweden, and Italy, among other countries.[5] Direct and indirect subsidies for the financial sector, insurance firms, and other sensitive industries can be very costly for both domestic and global markets. Firms receiving government handouts obtain an artificial competitive advantage over firms that do not, which could result in more efficient and productive companies being driven out of business. If those subsidies come with requirements that subsidized firms employ only domestic workers, lend only to domestic businesses, or buy only from domestic suppliers, the economic distortions they introduce are even more pernicious, forcing the inefficient allocation of resources across countries and causing economic harm to businesses and families around the world. Export subsidies are particularly trade-distorting and, in the case of agriculture products, an especially sensitive topic within the WTO. Subsidies and many other domestic support programs artificially prop up domestic prices for food and food products. Thus, they raise the cost of living for families buying food that is produced expensively in home markets. In addition, the same trade measures depress world prices for agricultural products, negatively affecting farmers in developing countries and stifling their attempts to weather the economic downturn, rise from poverty, and improve their living standards.

# WTO DEAD

**WTO is dead**

**Cooke 2009** (Shamus, trade unionist, social service worker, writer for Workers Action, frequent contributor to Global Research, 111-15-2009 “What Is At Stake With Free Trade”, http://www.globalresearch.ca/index.php?context=viewArticle&code=COO20091115&articleId=16096)

In the ten years since the World Trade Organization (WTO) protests in Seattle, global opposition to free trade and “globalization” has exploded. The general public now has a basic understanding of how the world economy works … against them: companies scour the globe searching for slave wages, which help push down wages in “developed” countries; any regulation that reduces profits — environmental, financial, labor, etc. — is destroyed or ignored. The two focal points of the anti-globalization movement have been dismantling of the WTO and free trade agreements; both legitimate targets. However, what happens if both goals are accomplished? Mission Accomplished? The obvious answer is no. Corporations will continue to push for the above anti-worker policies, whether or not the WTO continues to exist or if free trade agreements stop. Proof of this can be seen in the present condition of the WTO, an organization that, for all intents and purposes, is dead — having collapsed under its own weight. The “Doha” round of the WTO has been eight years in the making, with little sign of a deal emerging. Powerful corporations in different countries are advocating a more “independent” approach to trade; they view the corporate-run WTO as too democratic, and would rather go it alone on the global market place.

# FREE TRADE WON’T COLLAPSE

**Zero risk of protectionist backsliding**

**Anderson 2009** – head of Asia-Pacific economics for UBS (8/17, Jonathan, Cajing, “Economist: Reality Check for Prophets of Protectionism”, http://english.caijing.com.cn/2009-08-17/110225722.html, WEA)

One of the greatest fears among investors today is that the global economy will be affected by the return of protectionism. Many remember the 1930s as a disastrous time for trade. Not only did rich countries sink in the Great Depression, but they gradually closed doors to global trade and capital flow, starting with the passage of the infamous Smoot-Hawley Tariff Act in the United States in 1930. International trade spiraled down. It's been estimated that total global trade volume fell by nearly two-thirds between 1929 and 1933, dealing a crushing blow to growth and development hopes around the world. Now, here we are again, at the beginning of what some commentators call the "Great Depression II." And according to the World Trade Organization, we are seeing a sharp uptick in protectionist measures around the world. Are we risking another wave of trade destruction that closes the world's doors? And could a new wave crush China and the rest of the emerging world? The short answer is no. We do not worry much about the protectionism issue. We think these fears are vastly overstated for four reasons. First, conditions in the global economy are not that bad. If we look back at the Great Depression in the 1930s, we find the United States economy contracted nearly 30 percent in real terms, and more than a quarter of the entire workforce was unemployed. Up to one-third of the economy simply disappeared. In many European economies, the impact was greater still. How do things look today? At last count, the United States, euro zone countries, and Japan had seen a cumulative GDP contraction of 6 percent or so, with average unemployment nearing 9 percent. And this is probably as bad as it will get; the world economy is now expected to stabilize and recover in the second half of 2009. Of course, the recovery may be extremely weak. But even if developed countries don't grow at all over the next 18 months, the situation still compares favorably with the events of 75 years ago. In other words, there's just no reason to look for the same kind of protectionist reaction today. We should add that we're not seeing it. The WTO has reported a sharp increase in various protectionist actions, claims and cases, but the overall economic impact of these measures is still small by any standard. This is likely to be the worst it will get. Second, the effects of "plain vanilla" protectionism are highly exaggerated. Although Smoot-Hawley passed in 1930, raising tariffs on thousands of products, most economists agree the real attack on global trade didn't come until the breakup of the international monetary and exchange rate arrangements in 1931, and a corresponding collapse of global finance. Of course, many pundits now worry about the fall of the U.S. dollar as a global invoicing and reserve currency, and that this could have a similarly negative impact on trade and financing. However, we should stress that as bad as the U.S. economy looks at present, it's still the best thing we have. The European Union is beset by crushing regional disparities and political pressures, with significant basket cases hiding inside its borders. Japan simply doesn't have the necessary dynamism or commitment to globalization. And as far as fiscal balance sheets are concerned, all three major regions have equally significant problems. The United States stands alone in terms of how fast the Federal Reserve has expanded its monetary balance sheet, raising specific concerns about U.S. inflation and its impact on the dollar. But as one can see by looking at U.S. economic data, we are still falling into a deflation cycle for the time being, with nary a hint of inflationary pressure yet. We fully expect the Fed to be able to rein in the monetary expansion quickly if these pressures arise. We should add that, although it's fashionable to look at China and the yuan as a rising competitor to the dollar, this is simply not a realistic theme for the next 10 years – and perhaps for much longer. China doesn't have an open capital account, which means there is little opportunity or interest in holding the yuan as a serious asset. If anything, the impact of the current global crisis is likely to convince mainland authorities to be slow in opening their borders. China also doesn't have the kind of deep, domestic financial markets required of a global reserve currency; the bond market in particular is still in its infancy. As a result, it will be a long time indeed before the yuan starts playing a real role on the global stage. Third, even if we do see an unexpected wave of protectionism, emerging countries have less to lose than the developed world. Let's start by asking this question: When we talk about "protectionism," what exactly are we trying to protect? The answer is, of course, domestic workers and domestic jobs. In what areas do the labor forces of the United States, Europe and Japan work? The vast majority are in services and construction, sectors that don't compete much directly on the international arena. Only 10 to 15 percent are manufacturing jobs, and these are mostly in capital intensive, high-tech industries such as autos, precision machinery and high-end electronics. By contrast, manufactured goods that China and other emerging markets sell – toys, textiles, running shoes, sporting goods, light electronics, etc. – are barely made at all in the G3 countries. Rich countries outsourced most of these low-end, labor-intensive jobs a long time ago. A related point holds for commodities and raw materials, which make up much of the rest of the exports from the low-income world. All three major, developed regions are heavily dependent on imported resources, and this is unlikely to change in the foreseeable future. The bottom line here is that even if we do get a big wave of protectionism in developed countries, it unlikely to be aimed specifically at low-end goods from the developed world. Rather, it makes more sense to protect the auto industry along with high-end equipment and chemical manufacturers. Moreover, any tariffs and barriers placed on toys and textiles are much more likely to raise consumer prices than crush volumes, given the absence of competitive domestic industries that could take advantage of protection to grab local market shares. The final point concerns financial leverage. There has never been a time in recent global economic history when the developed world was so dependent on low-income countries for financial resources. For the first time, the emerging world is a net financial creditor. Given the rapid expansion of public debts, the major developed countries are extremely interested in seeing China and other low-income countries continue to buy U.S. Treasuries, Japanese Government Bonds and various European debt instruments. The impact of a big, potential pullout from global bond markets actually could be much more negative than positive in terms of protecting domestic industries. So emerging markets now are in a much better bargaining position than at any time in the past. Protectionist fears are likely to continue to bother investors over the next year or two, and perhaps longer. But we don't think the real situation supports these fears.

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**No protectionism**

**Rodrik 2009** – professor of political economy at Harvard, recipient of the Social Science Research Council’s Hirschman Prize (10/13, Dani, Business Standard, “The myth of rising protectionism”, http://www.business-standard.com/india/news/dani-rodrikmythrising-protectionism/373102/, WEA)

There was a dog that didn’t bark during the financial crisis: protectionism. Despite much hue and cry about it, governments have, in fact, imposed remarkably few trade barriers on imports. Indeed, the world economy remains as open as it was before the crisis struck. Protectionism normally thrives in times of economic peril. Confronted by economic decline and rising unemployment, governments are much more likely to pay attention to domestic pressure groups than to upholding their international obligations. As John Maynard Keynes recognised, trade restrictions can protect or generate employment during economic recessions. But what may be desirable under extreme conditions for a single country can be highly detrimental to the world economy. When everyone raises trade barriers, the volume of trade collapses. No one wins. That is why the disastrous free-for-all in trade policy during the 1930’s greatly aggravated the Great Depression. Many complain that something similar, if less grand in scope, is taking place today. An outfit called the Global Trade Alert (GTA) has been at the forefront, raising alarm bells about what it calls “a protectionist juggernaut”. The GTA’s latest report identifies no fewer than 192 separate protectionist actions since November 2008, with China as the most common target. This number has been widely quoted in the financial press. Taken at face value, it seems to suggest that governments have all but abandoned their commitments to the World Trade Organization and the multilateral trade regime. But look more closely at those numbers and you will find much less cause for alarm. Few of those 192 measures are, in fact, more than a nuisance. The most common among them are the indirect (and often unintended) consequences of the bailouts that governments mounted as a consequence of the crisis. The most frequently affected sector is the financial industry. Moreover, we do not even know whether these numbers are unusually high when compared to pre-crisis trends. The GTA report tells us how many measures have been imposed since November 2008, but says nothing about the analogous numbers prior to that date. In the absence of a benchmark for comparative assessment, we do not really know whether 192 “protectionist” measures is a big or small number. What about the recent tariffs imposed by the United States on Chinese tires? President Barack Obama’s decision to introduce steep duties (set at 35 per cent in the first year) in response to a US International Trade Commission (USITC) ruling (sought by US labour unions) has been widely criticised as stoking the protectionist fires. But it is easy to overstate the significance of this case, too. The tariff is fully consistent with a special arrangement negotiated at the time of China’s accession to the WTO, which allows the US to impose temporary protection when its markets are “disrupted” by Chinese exports. The tariffs that Obama imposed were considerably below what the USITC had recommended. And, in any case, the measure affects less than 0.3 per cent of China’s exports to the US. The reality is that the international trade regime has passed its greatest test since the Great Depression with flying colours. Trade economists who complain about minor instances of protectionism sound like a child whining about a damaged toy in the wake of an earthquake that killed thousands. Three things explain this remarkable resilience: ideas, politics and institutions. Economists have been extraordinarily successful in conveying their message to policymakers—even if ordinary people still regard imports with considerable suspicion. Nothing reflects this better than how “protection” and “protectionists” have become terms of derision. After all, governments are generally expected to provide protection to their citizens. But if you say that you favour protection “from imports”, you are painted into a corner with Reed Smoot and Willis C. Hawley, authors of the infamous 1930 US tariff bill. But economists’ ideas would not have gone very far without significant changes in the underlying configuration of political interests in favour of open trade. For every worker and firm affected by import competition, there is one or more worker and firm expecting to reap the benefits of access to markets abroad. The latter have become increasingly vocal and powerful, often represented by large multinational corporations. In his latest book, Paul Blustein recounts how a former Indian trade minister once asked his American counterpart to bring him a picture of an American farmer: “I have never actually seen one,” the minister quipped. “I have only seen US conglomerates masquerading as farmers.” But the relative docility of rank-and-file workers on trade issues must ultimately be attributed to something else altogether: the safety nets erected by the welfare state. Modern industrial societies now have a wide array of social protections – unemployment compensation, adjustment assistance, and other labour-market tools, as well as health insurance and family support — that mitigate demand for cruder forms of protection.

**Trade conflict won’t escalate**

**Ikenson 2009** – director of Cato's Center for Trade Policy Studies (Daniel, Center for Trade Policy Studies, Free Trade Bulletin 37, “A protectionism fling”, http://www.cato.org/pub\_display.php?pub\_id=10651, WEA)

A sense of foreboding seems to have enveloped the trade policy community, where a common view among scholars, economists, and journalists is that a resurgence of protectionism is inevitable, and that it will cause serious economic damage. In the newspaper columns and in the think tank reports, there is little evidence of any faith that the rules-based system of trade-established in part for the purpose of containing and defusing protectionist outbursts-is equipped to rise to what is arguably the first major challenge in its 62-year existence. But that view does not adequately reflect the fact that most governments prefer policies that keep their economies open to trade and investment. Despite some episodes of backsliding, the world is unlikely to witness a significant departure from the trend toward trade and investment liberalization that has been evident since the end of World War II. An increasing number of governments have come to recognize that optimal economic outcomes arise under conditions where policies enhance-rather than limit-the freedom of people to transact with others, including foreigners. Protectionism limits choices and thereby undermines human liberty and economic efficiency. Reasonably well-respected trade rules and the reality of a global economic system that renders trade openness an imperative for success are some of the reasons to believe that any protectionist outbreak will be fleeting. Indeed, policymakers would be advised to respond to the downturn by reducing their trade and investment barriers unilaterally because doing so expands choices, reduces costs, and spurs the kinds of structural reforms that facilitate economic growth. A System to Bend but Not Break One of the reasons for the creation of the rules-based system of trade was to ensure that the scenario of spiraling, retaliatory protectionism of the 1930s never played out again. Starting with the General Agreement on Tariffs an Trade in 1947, through seven subsequent multilateral rounds of trade liberalization culminating in the establishment of the World Trade Organization in 1995, and into the present, that objective has been upheld. The WTO/GATT rules encourage trade liberalization, but also grant governments some flexibility to manage their own paces of liberalization and to re-impose or raise barriers under certain circumstances. The rules distinguish between "Bound" and "Applied" tariff rates. The bound rate is the maximum rate of duty (per product category) that a member can assess against imports, and the applied rate is the prevailing rate of duty (per product category). Generally, the bound rates of developed countries are significantly lower than the bound rates of developing countries. That is, the highest allowable tariffs in richer countries are much lower than the highest allowable tariffs in poorer countries.1

**Their historical examples are exactly why trade won’t collapse**

**Ikenson 2009** – director of Cato's Center for Trade Policy Studies (Daniel, Center for Trade Policy Studies, Free Trade Bulletin 37, “A protectionism fling”, http://www.cato.org/pub\_display.php?pub\_id=10651, WEA)

A Little Perspective, Please Although some governments will dabble in some degree of protectionism, the combination of a sturdy rules-based system of trade and the economic self interest in being open to participation in the global economy will limit the risk of a protectionist pandemic. According to recent estimates from the International Food Policy Research Institute, if all WTO members were to raise all of their applied tariffs to the maximum bound rates, the average global rate of duty would double and the value of global trade would decline by 7.7 percent over five years.8 That would be a substantial decline relative to the 5.5 percent annual rate of trade growth experienced this decade.9 But, to put that 7.7 percent decline in historical perspective, the value of global trade declined by 66 percent between 1929 and 1934, a period mostly in the wake of Smoot Hawley's passage in 1930.10 So the potential downside today from what Bergsten calls "legal protectionism" is actually not that "massive," even if all WTO members raised all of their tariffs to the highest permissible rates. If most developing countries raised their tariffs to their bound rates, there would be an adverse impact on the countries that raise barriers and on their most important trade partners. But most developing countries that have room to backslide (i.e., not China) are not major importers, and thus the impact on global trade flows would not be that significant. OECD countries and China account for the top twothirds of global import value.11 Backsliding from India, Indonesia, and Argentina (who collectively account for 2.4 percent of global imports) is not going to be the spark that ignites a global trade war. Nevertheless, governments are keenly aware of the events that transpired in the 1930s, and have made various pledges to avoid protectionist measures in combating the current economic situation. In the United States, after President Obama publicly registered his concern that the "Buy American" provision in the American Recovery and Reinvestment Act might be perceived as protectionist or could incite a trade war, Congress agreed to revise the legislation to stipulate that the Buy American provision "be applied in a manner consistent with United States obligations under international agreements." In early February, China's vice commerce minister, Jiang Zengwei, announced that China would not include "Buy China" provisions in its own $586 billion stimulus bill.12 But even more promising than pledges to avoid trade provocations are actions taken to reduce existing trade barriers. In an effort to "reduce business operating costs, attract and retain foreign investment, raise business productivity, and provide consumers a greater variety and better quality of goods and services at competitive prices," the Mexican government initiated a plan in January to unilaterally reduce tariffs on about 70 percent of the items on its tariff schedule. Those 8,000 items, comprising 20 different industrial sectors, accounted for about half of all Mexican import value in 2007. When the final phase of the plan is implemented on January 1, 2013, the average industrial tariff rate in Mexico will have fallen from 10.4 percent to 4.3 percent.13 And Mexico is not alone. In February, the Brazilian government suspended tariffs entirely on some capital goods imports and reduced to 2 percent duties on a wide variety of machinery and other capital equipment, and on communications and information technology products.14 That decision came on the heels of late-January decision in Brazil to scrap plans for an import licensing program that would have affected 60 percent of the county's imports.15 Meanwhile, on February 27, a new free trade agreement was signed between Australia, New Zealand, and the 10 member countries of the Association of Southeast Asian Nations to reduce and ultimately eliminate tariffs on 96 percent of all goods by 2020. While the media and members of the trade policy community fixate on how various protectionist measures around the world might foreshadow a plunge into the abyss, there is plenty of evidence that governments remain interested in removing barriers to trade. Despite the occasional temptation to indulge discredited policies, there is a growing body of institutional knowledge that when people are free to engage in commerce with one another as they choose, regardless of the nationality or location of the other parties, they can leverage that freedom to accomplish economic outcomes far more impressive than when governments attempt to limit choices through policy constraints.

**No chance—past examples are the reason we won’t make the same mistake again and political pressure checks**

**Ikenson 2009** – director of Cato's Center for Trade Policy Studies (Daniel, Center for Trade Policy Studies, Free Trade Bulletin 37, “A protectionism fling”, http://www.cato.org/pub\_display.php?pub\_id=10651, WEA)

Conclusion Despite the global economic contraction and the occasional protectionist indulgence, there is reason to be hopefulthat retrogressive policies will be marginal, short-lived, and ultimately rejected. The absence of trade rules in the 1930s meant that there were no proffered courses of action, no sources of adjudication or remediation, and no generally accepted limits to the actions governments could take in response to external economic policies. And there were far fewer domestic constituencies of any political consequence advocating against protectionism in the '30s. Consequently, there were no proven stopgaps to prevent the pandemic of spiraling protectionism that erupted and exacerbated the global recession.

Today we have the benefit of understanding the consequences of the actions taken in the 1930s. Although that understanding does not guarantee avoidance of past mistakes, we also have solid institutions and incentives to help steer policymakers away from the abyss. The rules governing more than 60 years of trade liberalization have fostered greater certainty and stability, and thus more investment, trade, and economic growth. And today, the commercial and political appeal of protectionism is considerably diminished because most countries have established domestic constituencies that depend on a trade and investment environment that is open in both directions.

# ECON DECLINE IMPACTS

**Yes diversionary war**

**Pickering and Kisangani 2009** – department of political science at Kansas State, citing the International Military Intervention dataset (Jeffrey and Emizet, British Journal of Political Science, 39:483-515, “The dividends of diversion”, ProQuest, WEA)

In this article, we contend that the Argentinian use of diversionary force was an anomaly in 1982, but the British diversion was not. Contrary to common normative assumptions, leaders in mature, established democracies are more prone to use foreign military force for domestic political gain than even the most contemptible autocrats. This argument seems paradoxical, because policy makers in established democracies have presumably not only accepted norms which emphasize negotiation, compromise and the value of human life, they operate within systems designed to check their own authority. We maintain that it is these very checks which often compel decision makers in mature democracies to divert. Institutional and partisan restraints prevent them from implementing effective domestic policy when their electoral prospects dim, forcing them to at least consider diversionary force. Leaders in the most liberal states in the international system may consequently, and seemingly illogically, fall into an illiberal pattern of using foreign military force to solve domestic problems. We have followed our own earlier extension of Bruce Bueno de Mesquita and his associates’ institutional approach, rational choice literature on voting and research on democratic audience costs to develop the three major components of our argument.7 We define ‘audience costs’ as the penalty that leaders incur for failing to keep commitments or for initiating disastrous policies.8 Following Michael Doyle’s conceptualization, we define mature democracies as countries with sovereignty, market and private economies, judicial rights and representative political institutions.9 The institutional approach highlights the institutional barriers that leaders in mature democracies encounter when they try to find domestic solutions to certain domestic problems. The rational choice literature on voting demonstrates how difficult it is for leaders in mature democracies to regain popular support when the country has experienced domestic economic difficulties. Even domestic policy which successfully resolves economic problems and increases growth often does little to boost the political executive’s popular support and may even have the seemingly contradictory effect of reducing the leader’s standing in public opinion polls further.10 Since the voting public is not inclined to reward successful economic policy, embattled leaders in mature democracies may turn to foreign policy to regain their political credibility and to improve their chances of retaining office. The decision to use diversionary force is made easier when leaders are confident that the military operation will be both a military success and provide the domestic political boost they are seeking. Recent research on audience costs suggests that military missions launched by leaders in mature democracies have a high probability of achieving both of these outcomes. Of course, a good deal of institutional variation exists among countries typically labelled ‘mature democracies’. The final component of our theory refines our earlier approach further by developing hypotheses on the impact that institutional differences have on mature democracies’ diversionary proclivities. To determine whether the leaders of mature democracies, and especially certain types of mature democracies, are more likely both to use diversionary force and to reap political rewards from doing so than other leaders, we test the reciprocal relationships which exist between the use of foreign military force and the domestic political and economic variables which may cause it. Our study is certainly not the first to analyse mature democracies’ propensity to use diversionary military force. A number of studies have been undertaken on the subject with, to date, mixed results.11 Our analysis is, however, the first to separate out and test the diversionary behaviour of several distinct types of established democracies and to determine whether diversionary force by these actors ‘works’ by producing domestic political and economic benefits for leaders. To our knowledge, it is also the first to develop an integrated, multi-layer theory that attempts to bring greater clarity to the seemingly illogical phenomenon of democratic diversion.

**Political constraints against economic reform make democratic leaders turn to foreign policy adventurism**

**Pickering and Kisangani 2009** – department of political science at Kansas State, citing the International Military Intervention dataset (Jeffrey and Emizet, British Journal of Political Science, 39:483-515, “The dividends of diversion”, ProQuest, WEA)

Domestic economic difficulty is, in fact, a particularly vexing problem for mature democrats. Even when mature democrats are free to intervene in the economy, they have few policy options which will produce either guaranteed or quick results. Among the alternatives they might consider are tax cuts to lessen the impact of unemployment, interest rate cuts by central banks to increase investor confidence and fiscal austerity programmes to curb inflation. None of these options works rapidly to ameliorate economic problems, and all have the potential for negative side-effects. Tax cuts diminish revenue for other programmes, including those designed to buffer individuals from economic hardships. Fiscal austerity programmes tend to dampen economic growth. Interest rate cuts may reduce savings and create dangerous bubbles in the economy. Worse still for mature democrats, dramatic macroeconomic policy changes stand a good chance of alienating important domestic constituencies.36 Political executives in mature democracies consequently often find themselves ‘hemmed in’ by institutional, partisan and policy checks when they attempt to forge domestic legislation to solve major domestic economic and political problems. When mature democrats find that they cannot implement effective national policy in response to mounting domestic problems, they may turn to foreign policy in an attempt to salvage their political careers and in the hope of winning another term in office. The use of military force overseas is not the only foreign policy option mature democrats may consider to improve their standing at home, but if they want to initiate a decisive shift in the domestic agenda it is often their most potent alternative.37 In our earlier work we examined consolidating democracies and autocracies as well. While we had anticipated that both regime types would have considerable potential to use diversionary force, our empirical results refuted this presumption. We thus concluded with the seemingly paradoxical finding that the countries with the greatest amount of political freedom are also the most prone to dispatch troops abroad for personal political gain. While our adaptation of the institutional approach took us some way towards explaining this outcome, we believe that insights from two related literatures add important substance to the argument.

**Actual models establish that societies like ours are most likely to try this**

**Pickering and Kisangani 2009** – department of political science at Kansas State, citing the International Military Intervention dataset (Jeffrey and Emizet, British Journal of Political Science, 39:483-515, “The dividends of diversion”, ProQuest, WEA)

Our control variables provide further evidence that mature democracies may be more prone to use military force in response to domestic stimuli than other regimes. The statistical significance and positive direction of strategic rivalry and sub-system crisis indicate that leaders in non-democracies dispatch troops overseas in response to external threats rather than to domestic difficulties. These external variables are, in contrast, negative when interacted with mature democracy. The interaction term for strategic rivalry is also statistically significant. Our formula provides marginal effects for strategic rivalryt3democracyt of 0.017311[(20.01204)3(119)]521.4155 for 119 year old democracies and 0.017311[(20.01204)3(119)]521.9693 for 165 year old democracies. Thus, as democracies become more mature, they grow less likely to use military force abroad in response to the external stimuli of strategic rivalry (or, in this case, an increase in the number of rivals).

**The overall balance of data and history supports our conclusion**

**Pickering and Kisangani 2009** – department of political science at Kansas State, citing the International Military Intervention dataset (Jeffrey and Emizet, British Journal of Political Science, 39:483-515, “The dividends of diversion”, ProQuest, WEA)

CONCLUSIONS In his seminal review of diversionary research, Jack Levy contends that most diversionary studies are mis-specified because they are unidirectional.100 Using the GMM method, we provide properly identified models to test our argument that mature democracies are especially prone to use diversionary force and especially likely to receive domestic political and economic benefits from doing so. Our results lend considerable support to our argument, although some caveats apply. When mature democracies are studied as a single group, the empirical results support our argument. In our sample of 140 countries from 1950 to 1996, mature democracies are found to use military force for a domestic reason, namely mass unrest, even when we control for the opportunities provided by international crises and strategic rivalries. In contrast, non-democracies use force in response to the international stimuli of crises and rivalries, but not in response to domestic variables. Mature democrats also benefit domestically when they intervene militarily abroad. Levels of elite unrest and mass unrest decline both during and up to a year after the intervention, and economic growth rates increase markedly the year of the intervention as well as the following year. In stark contrast, non-democracies see levels of mass unrest increase by as much as 45 per cent when they intervene abroad, while their economic growth rates plummet by 78 per cent. Non-democratic leaders may thus refrain from using diversionary force because they have domestic policy options that leaders of mature democracies lack, as the policy availability argument contends. They may also, however, realize that using military force abroad tends to generate negative economic and political repercussions in their societies. Our results on democratic diversion and the domestic dividends that it generates thus seem unambiguous. Analysing different types of mature democracies muddies these outcomes slightly. Contrary to our expectations, majoritarian governments appear to have a propensity for diversionary behaviour, while presidential governments do not. Most types of mature democracies reap domestic rewards for using military force abroad, but not all do. In particular, domestic economic and political difficulties seem to escalate when democracies with coalition governments intervene with military force overseas. It thus seems that only certain types of mature democracies, namely majoritarian and minority governments, have a propensity to both use diversionary force and to benefit domestically from it.101 These results indicate how important it is to ‘unpack’ regime types in analyses of diversionary force. What seems like unqualified support for our argument using a time dependent measure of mature democracy becomes more nuanced when we distinguish different democratic regime types. The nuance also brings greater clarity, however, about which specific influences prompt leaders in different democratic systems to divert and the types of domestic benefits these leaders should expect from the use of force abroad. Given the broad swath of states included in our category of non-democracies, it would also be wise to ‘unpack’ these regimes to grasp their diversionary tendencies in future research more effectively. Mark Peceny, Caroline Beer and Shannon Terry-Sanchez’s analysis of different autocratic regimes may offer a useful starting point for this type of study.102 While diversionary behaviour clearly varies among democratic regime types, the general finding that mature democracies are more prone to use diversionary force than other states still holds. With the exception of coalition governments, mature democracies are also more likely to gain domestic political and economic benefits when they use military force abroad than non-democracies. Therefore, our contention that the Galtieri government’s involvement in the Malvinas/Falklands War was an aberration but the Thatcher government’s was not is supported by our results. We find that majoritarian democracies are prone to use diversionary force when they encounter domestic economic problems and elite unrest, as the Thatcher government did in 1982. The startling rise of Thatcher’s poll numbers during and after the war also correlates well with our findings of sharply declining levels of mass unrest both the year a majoritarian democracy intervenes and the following year. Though more fine-grained research on the diversionary propensities of different types of democracies clearly needs to be undertaken, this study makes clear that the most liberal, domestically egalitarian states in the international system, mature democracies, also have the greatest predilection for using diversionary force. In fact, the incentives that leaders in certain forms of mature democracy have for using diversionary force seem to increase as the democracy ages, and democratic norms and institutions become more deeply entrenched.