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#### **Growing unemployment will force congress to bash china- lobbies and reelection**

Ramirez 12 (Carlos D. Ramirez, Associate Professor of Economics, Department of Economics, George Mason University, “The Political Economy of “Currency Manipulation” Bashing” March 2012, [http://econ.la.psu.edu/papers/psu-tsinghua/Carlos%20Ramirez%20-%20The%20Political%20Economy%20of%20'Currency%20Manipulation'%20Bashing.pdf](http://econ.la.psu.edu/papers/psu-tsinghua/Carlos%20Ramirez%20-%20The%20Political%20Economy%20of%20%27Currency%20Manipulation%27%20Bashing.pdf), RS)

Why are congressmen so concerned with China’s exchange rate regime? The most benevolent, if not naïve, explanation is the contention that congressmen are genuinely concerned about the wellbeing of American citizens, and thus, anything that threatens their welfare, including the potential loss of jobs from competition from abroad, will motivate Congressional action in their defense. However, a more realistic view, advanced by the public choice and political economy literature, contends that politicians are no different than other individuals in society who seek to maximize their own wellbeing (Buchanan and Tollison, 1984). Although they may have inherent preferences and ideological proclivities, the calculus involved in their decision making process is also influenced by how it would affect their chances of reelection. This more realistic interpretation of congressional behavior is consistent with congressional “currency manipulation” bashing. Using data for the 111th Congress(2009 to 2010), I find that an additional $5,000 in PAC contributions from interest groups that supported the passage of H.R. 2378 (the “Currency Reform for Fair Trade Act” increase the odds that a legislator would engage in China bashing by about 1.35 times. The odds increase to about 1.8 with an additional $10,000 in PAC money, thus suggesting that the relationship is monotonic. In addition, I find that constituent interests from the manufacturing sector in the congressional district also influence the incidence to which legislators criticize China’s exchange rate policy. This result is robust to the inclusion of other variables, including how the legislators ultimately voted on this legislation.

#### The plan is our only hope- investing in inland waterways creates immediate employment and allows the U.S. to double exports over the next five years

Toohey, 11 --- President and CEO of Waterways Council, Inc. (9/21/2011, Mike, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Water Resources and Environment Hearing - "The Economic Importance and Financial Challenges of Recapitalizing the Nation's Inland Waterways Transportation System," Factiva, JMP)

Mr. Chairman, we face a critical time in the history of the waterways in America. It is imperative that we modernize the vital infrastructure supporting commerce on our inland waterways. There are numerous projects that are fully authorized and ready for construction to commence or continue. In this sluggish economy where the unemployment rate is over 20% for construction workers, these projects can put thousands of people to work right away. And, these projects, once completed, will provide billions of dollars of activity for the American economy.

The President has called for the doubling of exports from the United States in the next five years.

If we do not properly invest in the waterways of this country, it will be impossible to achieve that worthy goal. It is gratifying to see that the President included investments in waterways infrastructure in his American Jobs Act that he recently sent to Congress. We look forward to working with the Administration and this Subcommittee to take the necessary steps to recapitalize our Nation's inland waterways system.

#### Waterway infrastructure improvements are key to boost exports now - establishes trade leadership

Independent Record, 12 (January 12, 2012, Independent Records, HelenaAir- Montana Daily News, “Efficient waterways key to exports,” <http://m.helenair.com/mobile/article_622a021e-3ced-11e1-9a56-001871e3ce6c.html>)

A major infrastructure project near the bottom of Central America could have major repercussions for Montana mining and agriculture — but only if the U.S. keeps pace with infrastructure investment of its own. This week our editorial board visited with a pair of officials from the Waterways Council, the Washington-based industry group that represents producers and shippers who depend on the country’s inland waterways and its system of rivers, canals, locks and dams. Much of that infrastructure has been forced into use long past its expected and efficient lifespan, the group says, and it’s gearing up to ask Congress for some major funding over the next two decades to replace and/or improve a number of decaying locks and dams that are causing, well, logjams in the system. So how does Central America factor into the discussion? In coming years the Panama Canal will be greatly expanded, allowing for more and larger ship traffic. Volume through the canal is expected to nearly double by 2025. That increase will make New Orleans and other Gulf/Atlantic ports more economical for shippers to and from the Pacific Rim — whose countries happen to be some of the largest consumers of Montana grain and coal. But making it easier to get Montana’s goods to the Pacific isn’t worth much if it’s not made easier to get those goods to the coasts in the first place. Improving shipping efficiency on the Mississippi River will make for a new path to market for Montana raw materials. And that’s where the Waterways Council comes in, with its efforts to improve the inland nautical infrastructure. One 15-barge tow can move as much material as 216 rail cars, or 1,050 semi tractor-trailers, the council says, and the industry’s claim of being able to move a ton of freight 576 miles on a gallon of fuel makes it more efficient than rail or road. Those modes are absolutely necessary too, but without barge traffic, our railroads and highways would be overwhelmed with the additional demand. The council says an annual appropriation of $380 million from Congress, coupled with improvements in the way the Army Corps of Engineers gets projects done, will allow 20 major jobs to be completed within the next 20 years — versus the six that stand to be finished under the status quo. Shippers are putting their money on the line as well. They already pay a tax of 20 cents per gallon of diesel into a trust fund that pays for half of each project, and they’re willing to pay another 6 to 9 cents more per gallon, although that self-tax notion isn’t gaining traction with the no-new-tax crowd in Washington. Congress — i.e., the American people — typically spends billions a year on highway projects, and railroads too were heavily funded by the public. The country showed great foresight in building its system of locks and dams on many of our major rivers — but that investing was done close to a century ago, and the system needs repair. We don’t know whether $380 million a year is the right number, but we do urge Congress to do all it can to improve the efficiency of the nation’s interior shipping channels. The ability to grow our country’s exports depends upon it.

**And we have two impact scenarios**

#### First is china bashing- Unemployment causes backlash against free trade and China bashing

Jimenez 12 (Alfredo Montufar-Helu Jimenez, master's student at Georgetown University; degree in political science and international relations from CIDE, Mexico City, “Protectionism Makes Comeback As Recovery Stalls”,http://atlanticsentinel.com/2012/01/protectionism-makes-comeback-as-recovery-stalls/, RS)

As a result, protectionism could gain weight in the upcoming months and while it may be vilified by conventional wisdom which rightfully points out the benefits of free trade, there is a “human face” which legitimizes it. Supporters of protectionism tend to justify their demands through what they regard as the direct negative effects of trade with other countries. Some of these effects are caused by the “unfair” practices of governments as China’s. Others are due to the abundance of cheap labor in countries as Mexico. Whatever the reason, according to protectionists unchecked trade liberalization causes unemployment and income inequality. America’s disturbing trade deficit with China is one of the favoritearguments of trade critics in the United States. These opinions have a considerable impact in various segments of the population. The 2008 financial crisis only helped enforce the notion that Americans industry ought to be protected from unfair competition overseas. According to theory, trade liberalization benefits an economy by expanding its production capabilities and diversifying the goods it can consume. Trade dynamics promoted by international competition lead to a decrease in prices, benefiting consumers and producers alike. It also expands the labor pool, thereby reducing costs. Trade leads to specialization. Every country has a comparative advantage in producing certain type of goods due to its factor endowment. An economy will specialize in the production of goods which uses intensively its relative abundant factor. Thus, Germany, which is relatively abundant in high skill labor, specializes in the production of high end goods (computers, pharmaceuticals, etc.), while Vietnam, which is relatively abundant in low skill labor, specializes in the production of basic goods (agricultural products, clothes). Through specialization, countries are able to increase their respective national income because they produce what they are more efficient in producing and trade it to the world. But then, what happens to those industries in which a nation is inefficient? Herein lays the main dilemma of trade which can fuel protectionism—specialization leads to the disappearance of inefficient industries. Theoretically, this should not be a problem, since workers in these industries will gravitate to other industries which are succeeding. Reality is more complex. Skill biased technological change has made it very difficult for job displacement to occur. All types of jobs have modified their requirements in line with technological chance. A laid off worker will struggle to find another job because he doesn’t have the required set of skills. Retraining could take years. The protectionists argue that this is exactly why the state must design and implement policies to offset those effects of liberalization. It’s easy for Americans to blame the Chinese for their trade deficit, to propose to punish China by turning its currency manipulation into an illegal subsidy and disregard recommendations to change domestic consumption patterns which, in fact, makes American society the main actor responsible for their current situation. A more effective way to enable economic growth than either raise or reduce trade tariffs may be the implementation of an industrial policy. This refers to measures introduced by governments to channel resources into sectors which they view as critical to future economic growth. It implies benefiting some by hurting others (the financial resources have to come from somewhere else). Consequently, industrial policy should only be deployed to counter market failures and externalities which prevent the industries in which a country has comparative advantage from naturally becoming as efficient as they should be. The successful examples of Japan, South Korea and the Southeast Asian “tiger” economies encourage governments around the world to intervene in their industries through subsidies, tariffs, taxes, etc. so as to increase their profitability. The idea is to benefit those sectors that the state believes have a comparative advantage over those of other countries and create national champions There are problems with this analysis. Japan and South Korea both had the overt support of the United States which, due to Cold War dynamics, prevented their experiments from failing. For their part, the tigers, except Hong Kong, had authoritarian governments that facilitated the implementation of policies and they, too, enjoyed American support. There are examples that demonstrate both successes and failures but, to be fair, the outcomes were contingent upon other variables which require closer analysis. China’s is the most recent case of an industrial policy, and, so far, it seems it has been successful. This has caused alarm in the United States where China’s success is increasingly perceived as coming at the expense of American workers. The politicization of industrial policy that aims to “correct” market imbalances unfortunately often leads democratic governments to privilege certain interest groups, whether they’re corporations or unions, at the expense of their economy’s competitiveness as a whole. Perhaps, in this sense, China’s comparative advantage is its very authoritarianism?

#### China bashing causes war with China

Palmer and Somerville 11 (\*Doug Palmer, Staff writer for Reuters, \*\*Glen Somerville, staff writer for Reuters, “Analysis: Obama to challenge China on trade as election nears”, Reuters, October 13, 2011, <http://www.reuters.com/article/2011/10/13/us-usa-china-trade-idUSTRE79C72820111013>, RS)

Analysts cautioned the highly charged political atmosphere in Washington -- as Republicans and Democrats struggle for position ahead of presidential and congressional elections in 2012 -- could be misread by Beijing. China faces a leadership succession of its own in 2012-13, adding to the potential for tensions between the two countries to worsen. "We've been seeing for some time in (the United States) a serious flirtation with increased protectionism," said Doug Paal, a China expert and vice president for studies at the Carnegie Endowment for International Peace. "I have been telling the Chinese that they should take this seriously, but I've been warning them that next year is the one that they're really going to have to worry about." Eswar Prasad, a senior fellow at the Washington-based Brookings Institution, said any tit-for-tat measures had the potential to blow up into something much more serious. "There is a real and present danger that symbolic measures initiated by either side spiral into a more serious trade conflict as both sides strive to flex their muscles for the benefit of domestic audiences," Prasad said. "Much acrimony lies ahead but the big question is whether it will spill over into open warfare that could be mutually harmful."

#### Causes extinction

Cheong ’00(Ching Cheong, a senior journalist with The Straits Times, author of *Will Taiwan Break Away: The Rise of Taiwanese Nationalism*, “No one gains in war over Taiwan”, June 26, 2000, Lexis, RS)

THE DOOMSDAY SCENARIO THE high-intensity scenario postulates a cross-strait war escalating into a full-scale war between the US and China. If Washington were to conclude that splitting China would better serve its national interests, then a full-scale war becomes unavoidable. Conflict on such a scale would embroil other countries far and near and -- horror of horrors -- raise the possibility of a nuclear war. Beijing has already told the US and Japan privately that it considers any country providing bases and logistics support to any US forces attacking China as belligerent parties open to its retaliation. In the region, this means South Korea, Japan, the Philippines and, to a lesser extent, Singapore. If China were to retaliate,east Asia will be set on fire. And the conflagration may not end there as opportunistic powers elsewhere may try to overturn the existing world order. With the US distracted, Russia mayseek to redefine Europe's political landscape. The balance of power in the Middle East may be similarly upset by the likes of Iraq. In south Asia, hostilities between India and Pakistan, each armed with its own nuclear arsenal, could enter a new and dangerous phase. Will a full-scale Sino-US war lead to a nuclear war? According to General Matthew Ridgeway, commander of the US Eighth Army which fought against the Chinese in the Korean War, the US had at the time thought of using nuclear weapons against China to save the US from military defeat. In his book The Korean War, a personal account of the military and political aspects of the conflict and its implications on future US foreign policy, Gen Ridgeway said that US was confronted with two choices in Korea -- truce or a broadened war, which could have led to the use of nuclear weapons. If the US had to resort to nuclear weaponry to defeat China long before the latter acquired a similar capability, there is little hope of winning a war against China 50 years later, short of using nuclear weapons. The US estimates that China possesses about 20 nuclear warheads that can destroy major American cities. Beijing also seems prepared to go for the nuclear option. A Chinese military officer disclosed recently that Beijing was considering a review of its "non first use" principle regarding nuclear weapons. Major-General Pan Zhangqiang, president of the military-funded Institute for Strategic Studies, told a gathering at the Woodrow Wilson International Centre for Scholars in Washington that although the government still abided by that principle, there were strong pressures from the military to drop it. He said military leaders considered the use of nuclear weapons mandatory if the country risked dismemberment as a result of foreign intervention. Gen Ridgeway said that should that come to pass, we would see the destruction of civilisation. There would be no victors in such a war. While the prospect of a nuclear Armaggedon over Taiwan might seem inconceivable, itcannot be ruled out entirely, for China puts sovereignty above everything else.

Second is protectionism

#### Lack of trade leadership causes protectionism and mercantilism

Linicome 6/12/12 (Scott Lincicome, an international trade attorney with White & Case, LLP. He has extensive experience in trade litigation before with the United States Department of Commerce, the US International Trade Commission (ITC), served as a senior trade policy adviser for Senator John McCain’s Presidential campaign, former researcher for the CATO Institute, “Is Missing American Trade Leadership Beginning to Bear Protectionist Fruit?” June 12, 2012, http://lincicome.blogspot.com/2012/06/is-missing-american-trade-leadership.html, RS)

Over the past few years, I and several other US trade-watchers have lamented the United States' dwindling leadership on global trade and economic issues and warned of that trend's troubling potential ramifications. It appears that at least one of our breathless predictions may finally be coming true. Starting in mid-2009 - when it [became](http://lincicome.blogspot.com/2009/10/is-america-still-worlds-free-trade.html) [depressingly](http://www.realclearworld.com/articles/2009/04/president_obama_dont_cut_off_f.html) [clear](http://articles.latimes.com/2009/jul/24/opinion/oe-ikenson24) that the Obama administration viewed trade in mostly political terms and thus would not be advancing a robust, proactive free trade agenda - we free traders expressed grave concern that US recalcitrance could harm not only US companies and workers, but also the entire global free trade system. As I [explained](http://www.realclearworld.com/articles/2009/04/president_obama_dont_cut_off_f.html) in a 2009 opened urging the President to adopt a robust pro-trade agenda (as outlined in this [contemporary Cato Institute paper](http://www.cato.org/publications/trade-policy-analysis/audaciously-hopeful-how-president-obama-can-help-restore-protrade-consensus)): Since the 1940s, the US has led the charge to remove international barriers to goods, services and investment. The result: a global trade explosion that has enriched American families, spurred innovation, enhanced our security and helped millions escape poverty. Every US president since Herbert Hoover has championed free trade because of its proven benefits.... Because of today's rules-based multilateral trading system and the interdependence of global markets, US fecklessness on trade shouldn't lead to devastating protectionism akin to the Smoot-Hawley-induced tariff wars of the 1930s. But it's still a problem. In 2008, global trade contracted for the first time since 1982, and protectionist pressures abound. The WTO's Doha Round is comatose, even though an ambitious deal could inject US$2 trillion into the reeling global economy. Considering the US has steered every major trade initiative in modern history, any chance for significant progress on trade will disappear without strong American leadership - in word and deed. Since that time, the President has clearly not taken free traders' advice. The WTO's Doha Round is dead, despite a [pretty good opportunity](http://lincicome.blogspot.com/2010/12/new-ibd-op-ed-for-obama-free-trade-is.html) to force the issue back in late 2010. The Obama administration took [three years](http://lincicome.blogspot.com/2011/07/right-now.html) to implement already-dusty FTAs with Korea, Panama and Colombia and actually insisted on watering the deals down with new protectionist provisions in order to finally agree to move them. And while countries around the world are signing new trade agreements left and right, we've signed exactly zero and have [eschewed](http://lincicome.blogspot.com/2012/04/guess-whos-blocking-canadas.html) important new participants and [demanded](http://lincicome.blogspot.com/2012/05/perfect-us-tpp-negotiating-positions.html) absurd domestic protectionism in the one agreement that we are negotiating (the TPP). Meanwhile, on the home front the President has publicly [championed](http://lincicome.blogspot.com/2010/11/mercantilist-in-chief.html) mercantilism, as his minions [quietly pursued](http://lincicome.blogspot.com/2012/01/on-china-trade-obama-administration.html) [myriad](http://lincicome.blogspot.com/2011/09/greasing-americas-competitiveness-slide.html) [efforts](http://lincicome.blogspot.com/2011/10/obamas-tire-tariffs-very-valuable.html) to restrict import competition and consumer freedom, embraced [competitive devaluation](http://www.usnews.com/opinion/blogs/economic-intelligence/2012/05/07/romney-doubles-down-on-obamas-toxic-currency-policies) and [maintained](http://lincicome.blogspot.com/2010/06/my-and-your-tax-dollars-to-subsidize.html) [WTO-illegal](http://lincicome.blogspot.com/2012/06/bare-minimum-doc-announces-double.html) [policies](http://lincicome.blogspot.com/2012/02/zeroings-zombies-ctd.html) (while publicly denouncing protectionism, of course). Pretty stark when you lay it all out like that, huh? Despite this depressing state of affairs, it did not appear that the United States' diversion from its long free trade legacy had resulted in a tangible increase in global protectionism (although the death of Doha certainly isn't a good thing). Unfortunately, a [new blog post](http://blogs.ft.com/the-world/2012/06/using-protection-another-reason-to-worry/#axzz1xd1fyVv5) from the FT's Alan Beattie indicates that those chickens may finally be coming home to roost: One of the very few bright spots in governments’ generally grim recent performance of managing the world economy has been that trade protectionism, rampant during the Great Depression, has been relatively absent. That may no longer be the case. The WTO, fairly sanguine about the use of trade barriers over the past few years, warns today that things are getting worrying. The EU made a similar point yesterday. And this monitoring service has been pointing out for a long time that a lot of the new forms of protectionism aren’t counted under the traditional categories, thanks to gaping holes in international trade law. After glancing at the bi-partisan protectionism on display in the 2012 US presidential campaign, Beattie concludes that, on the global trade stage, "things are looking scarier than they have for a while." I'm certainly inclined to agree, and one need only look South to Brazil's frighteningly rapid transition from [once-burgeoning free trade star](http://www.brazzilmag.com/component/content/article/38/6889-brazils-lula-tells-bush-g8-needs-to-lead-stalled-wto-talks.html) to economically-stagnant, [unabashed protectionist](http://www.economist.com/node/21530144) to see a scary example of why. And while I agree with Beattie that the world still isn't likely to descend into a 1930s-style trade war - we can thank the WTO and the proliferation of free market economics for that - the rising specter of global protectionism is undoubtedly distressing. And, of course, it has risen just as America's free trade leadership has faded away.

#### Mercantilism destroys globalization and increases international conflict

Posen 9 (Adam Posen, Deputy director and senior fellow of the Peterson Institute for International Economics, “Economic leadership beyond the crisis,” http://clients.squareeye.com/uploads/foresight/documents/PN%20USA\_FINAL\_LR\_1.pdf)

In the postwar period, US power and prestige, beyond the nation's military might, have been based largely on American relative economic size and success. These facts enabled the US to promote economic openness and buy-in to a set of economic institutions, formal and informal, that resulted in increasing international economic integration. With the exception of the immediate post-Bretton Woods oil-shock period (1974-85), this combination produced generally growing prosperity at home and abroad, and underpinned the idea that there were benefits to other countries of following the American model and playing by American rules. Initially this system was most influential and successful in those countries in tight military alliance with the US, such as Canada, West Germany, Japan, South Korea, and the United Kingdom. With the collapse of Soviet communism in 1989, and the concomitant switch of important emerging economies, notably Brazil, China, India, and Mexico, to increasingly free-market capitalism, global integration on American terms through American leadership has been increasingly dominant for the last two decades. The global financial crisis of 2008-09, however, represents a challenge to that world order. While overt financial panic has been averted, and most economic forecasts are for recovery to begin in the US and the major emerging markets well before end of 2009 (a belief I share), there remain significant risks for the US and its leadership. The global financial system, including but not limited to US-based entities, has not yet been sustainably reformed. In fact, financial stability will come under strain again when the current government financial guarantees and public ownership of financial firms and assets are unwound over the next couple of years. The growth rate of the US economy and the ability of the US government to finance responses to future crises, both military and economic, will be meaningfully curtailed for several years to come. Furthermore, the crisis will accelerate at least temporarily two related long-term trends eroding the viability of the current international economic arrangements. First, perhaps inevitably, the economic size and importance of China, India, Brazil, and other emerging markets (including oil-exporters like Russia) has been catching up with the US, and even more so with demographically and productivity challenged Europe and northeast Asia. Second, pressure has been building over the past fifteen years or so of these developing countries' economic rise to give their governments more voice and weight in international economic decision-making. Again, this implies a transfer of relative voting share from the US, but an even greater one from over-represented Western Europe. The near certainty that Brazil, China, and India, are to be less harmed in real economic terms by the current crisis than either the US or most other advanced economies will only emphasise their growing strength, and their ability to claim a role in leadership. The need for capital transfers from China and oil-exporters to fund deficits and bank recapitalisation throughout the West, not just in the US, increases these rising countries' leverage and legitimacy in international economic discussions. One aspect of this particular crisis is that American economic policymakers, both Democratic and Republican, became increasingly infatuated with financial services and innovation beginning in the mid-1990s. This reflected a number of factors, some ideological, some institutional, and some interest group driven. The key point here is that export of financial services and promotion of financial liberalisation on the US securitised model abroad came to dominate the US international economic policy agenda, and thus that of the IMF, the OECD, and the G8 as well. This came to be embodied by American multinational commercial and investment banks, in perception and in practice. That particular version of the American economic model has been widely discredited, because of the crisis' apparent origins in US lax regulation and over-consumption, as well as in excessive faith in American-style financial markets. Thus, American global economic leadership has been eroded over the long-term by the rise of major emerging market economies, disrupted in the short-term by the nature and scope of the financial crisis, and partially discredited by the excessive reliance upon and overselling of US-led financial capitalism. This crisis therefore presents the possibility of the US model for economic development being displaced, not only deservedly tarnished, and the US having limited resources in the near-term to try to respond to that challenge. Additionally, the US' traditional allies and co-capitalists in Western Europe and Northeast Asia have been at least as damaged economically by the crisis (though less damaged reputationally). Is there an alternative economic model? The preceding description would seem to confirm the rise of the Rest over the West. That would be premature. The empirical record is that economic recovery from financial crises, while painful, is doable even by the poorest countries, and in advanced countries rarely leads to significant political dislocation. Even large fiscal debt burdens can be reined in over a few years where political will and institutions allow, and the US has historically fit in that category. A few years of slower growth will be costly, but also may put the US back on a sustainable growth path in terms of savings versus consumption. Though the relative rise of the major emerging markets will be accelerated by the crisis, that acceleration will be insufficient to rapidly close the gap with the US in size, let alone in technology and well-being. None of those countries, except perhaps for China, can think in terms of rivaling the US in all the aspects of national power. These would include: a large, dynamic and open economy; favorable demographic dynamics; monetary stability and a currency with a global role; an ability to project hard power abroad; and an attractive economic model to export for wide emulation. This last point is key. In the area of alternative economic models, one cannot beat something with nothing - communism fell not just because of its internal contradictions, or the costly military build-up, but because capitalism presented a clearly superior alternative. The Chinese model is in part the American capitalist (albeit not high church financial liberalisation) model, and is in part mercantilism. There has been concern that some developing or small countries could take the lesson from China that building up lots of hard currency reserves through undervaluation and export orientation is smart. That would erode globalisation, and lead to greater conflict with and criticism of the US-led system. While in the abstract that is a concern, most emerging markets - and notably Brazil, India, Mexico, South Africa, and South Korea - are not pursuing that extreme line. The recent victory of the incumbent Congress Party in India is one indication, and the statements about openness of Brazilian President Lula is another. Mexico's continued orientation towards NAFTA while seeking other investment flows (outside petroleum sector, admittedly) to and from abroad is a particularly brave example. Germany's and Japan's obvious crisis-prompted difficulties emerging from their very high export dependence, despite their being wealthy, serve as cautionary examples on the other side. So unlike in the1970s, the last time that the US economic performance and leadership were seriously compromised, we will not see leading developing economies like Brazil and India going down the import substitution or other self-destructive and uncooperative paths. If this assessment is correct, the policy challenge is to deal with relative US economic decline, but not outright hostility to the US model or displacement of the current international economic system. That is reassuring, for it leaves us in the realm of normal economic diplomacy, perhaps to be pursued more multilaterally and less high-handedly than the US has done over the past 20 years. It also suggests that adjustment of current international economic institutions is all that is required, rather than desperately defending economic globalisation itself. For all of that reassurance, however, the need to get buy-in from the rising new players to the current system is more pressing on the economic front than it ever has been before. Due to the crisis, the ability of the US and the other advanced industrial democracies to put up money and markets for rewards and side-payments to those new players is also more limited than it has been in the past, and will remain so for at least the next few years. The need for the US to avoid excessive domestic self-absorption is a real concern as well, given the combination of foreign policy fatigue from the Bush foreign policy agenda and economic insecurity from the financial crisis. Managing the post-crisis global economy Thus, the US faces a challenging but not truly threatening global economic situation as a result of the crisis and longer-term financial trends. Failure to act affirmatively to manage the situation, however, bears two significant and related risks: first, that China and perhaps some other rising economic powers will opportunistically divert countries in US-oriented integrated relationships to their economic sphere(s); second, that a leadership vacuum will arise in international financial affairs and in multilateral trade efforts, which will over time erode support for a globally integrated economy. Both of these risks if realised would diminish US foreign policy influence, make the economic system less resilient in response to future shocks (to every country's detriment), reduce economic growth and thus the rate of reduction in global poverty, and conflict with other foreign policy goals like controlling climate change or managing migration and demographic shifts. If the US is to rise to the challenge, it should concentrate on the following priority measures.

#### Protectionism will cause terrorism and global wars – risks extinction

Panzner 8 (Michael J. Panzner, faculty at the New York Institute of Finance, 25-year veteran of the global stock, bond, and currency markets who has worked in New York and London for HSBC, Soros Funds, ABN Amro, Dresdner Bank, and JPMorgan Chase (Michael, “Financial Armageddon: Protect Your Future from Economic Collapse,” p. 136-138)

Continuing calls for curbs on the flow of finance and trade will inspire the United States and other nations to spew forth protectionist legislation like the notorious Smoot-Hawley bill. Introduced at the start of the Great Depression, it triggered a series of tit-for-tat economic responses, which many commentators believe helped turn a serious economic downturn into a prolonged and devastating global disaster. But if history is any guide, those lessons will have been long forgotten during the next collapse. Eventually, fed by a mood of desperation and growing public anger, restrictions on trade, finance, investment, and immigration will almost certainly intensify. Authorities and ordinary citizens will likely scrutinize the cross-border movement of Americans and outsiders alike, and lawmakers may even call for a general crackdown on nonessential travel. Meanwhile, many nations will make transporting or sending funds to other countries exceedingly difficult. As desperate officials try to limit the fallout from decades of ill-conceived, corrupt, and reckless policies, they will introduce controls on foreign exchange. Foreign individuals and companies seeking to acquire certain American infrastructure assets, or trying to buy property and other assets on the cheap thanks to a rapidly depreciating dollar, will be stymied by limits on investment by noncitizens. Those efforts will cause spasms to ripple across economies and markets, disrupting global payment, settlement, and clearing mechanisms. All of this will, of course, continue to undermine business confidence and consumer spending. In a world of lockouts and lockdowns, any link that transmits systemic financial pressures across markets through arbitrage or portfolio-based risk management, or that allows diseases to be easily spread from one country to the next by tourists and wildlife, or that otherwise facilitates unwelcome exchanges of any kind will be viewed with suspicion and dealt with accordingly. The rise in isolationism and protectionism will bring about ever more heated arguments and dangerous confrontations over shared sources of oil, gas, and other key commodities as well as factors of production that must, out of necessity, be acquired from less-than-friendly nations. Whether involving raw materials used in strategic industries or basic necessities such as food, water, and energy, efforts to secure adequate supplies will take increasing precedence in a world where demand seems constantly out of kilter with supply. Disputes over the misuse, overuse, and pollution of the environment and natural resources will become more commonplace. Around the world, such tensions will give rise to full-scale military encounters, often with minimal provocation. In some instances, economic conditions will serve as a convenient pretext for conflicts that stem from cultural and religious differences. Alternatively, nations may look to divert attention away from domestic problems by channeling frustration and populist sentiment toward other countries and cultures. Enabled by cheap technology and the waning threat of American retribution, terrorist groups will likely boost the frequency and scale of their horrifying attacks, bringing the threat of random violence to a whole new level. Turbulent conditions will encourage aggressive saber rattling and interdictions by rogue nations running amok. Age-old clashes will also take on a new, more heated sense of urgency. China will likely assume an increasingly belligerent posture toward Taiwan, while Iran may embark on overt colonization of its neighbors in the Mideast. Israel, for its part, may look to draw a dwindling list of allies from around the world into a growing number of conflicts. Some observers, like John Mearsheimer, a political scientist at the University of Chicago, have even speculated that an “intense confrontation” between the United States and China is “inevitable” at some point. More than a few disputes will turn out to be almost wholly ideological. Growing cultural and religious differences will be transformed from wars of words to battles soaked in blood. Long-simmering resentments could also degenerate quickly, spurring the basest of human instincts and triggering genocidal acts. Terrorists employing biological or nuclear weapons will vie with conventional forces using jets, cruise missiles, and bunker-busting bombs to cause widespread destruction. Many will interpret stepped-up conflicts between Muslims and Western societies as the beginnings of a new world war.

# 2AC

## uniqueness

#### China increasing inland waterways now- kills competiveness

Xinhua 11 (Xinhua, Staff writer for the China Daily, Government and Policy Section, “China vows to strengthen inland waterway transport” China Daily, <http://www.chinadaily.com.cn/china/2011-01/30/content_11942239.htm>, RS)

BEIJING - China vowed Sunday to strengthen its inland water transport system over the next ten years to establish a smooth, efficient, safe and environmentally-friendly inland water transport network by 2020, said a statement posted on the central government's website. China will have 19,000 kilometers of navigable waterways by 2020 and the national waterways' freight traffic is expected to rise to more than 3 billion tonnes, according to the statement. Also, the country will continue to harness and develop the Yangtze River, a major artery for transporting commodities such as coal and steel to and from river cities, as well as other inland waterways over the next ten years. Further, China plans to expand its waterway network and build more river ports and infrastructure to increase water transport capacity and develop the country's vast interior regions.

## China bashing Link

#### Unemployment makes China bashing a political necessity

Ding 12 (Sheng Ding, an Associate Professor of Political Science at Bloomsburg University of Pennsylvania. He is the author of The Dragon’s Hidden Wings: How China Rises with Its Soft Power. His articles have appeared in Pacific Affairs, the Journal of Contemporary China, Nationalism and Ethnic Politics and the Journal of Asian and African Studies, “Don’t Worry About the China Bashing” The Diplomat, March 24, 2012, <http://thediplomat.com/2012/03/24/don%E2%80%99t-worry-about-the-china-bashing/2/>, RS)

In his much-hyped remarks on trade earlier this month, U.S. President Barack Obama highlighted his administration’s efforts at targeting China’s allegedly unfair trade practices. “Since I took office, we’ve brought trade cases against China at nearly twice the rate as the last administration, and these actions are making a difference,” Obama said at the White House on March 13 during a speech on free trade. “For example, we halted an unfair surge in Chinese tires, which has helped put over 1,000 American workers back on the job.” The speech followed the signing of a much-publicized executive order on the establishment of an interagency trade enforcement center. According to the order, the center will advance U.S. foreign policy and protect the national and economic security of the United States through strengthened and coordinated enforcement of U.S. trade rights under international trade agreements. And the U.S. hasn’t been alone in targeting China. The United States, Japan and European Union recently lodged a joint complaint with the World Trade Organization against China over its export restrictions on strategically important rare earth metals. All this suggests that the U.S. administration is determined to step up its campaign theme of protecting U.S. interests and pressing other nations to play by the rules. “Our competitors should be on notice,” Obama said. “You will not get away with skirting the rules.” But Obama’s increasingly vocal criticism of China raises some interesting questions as the campaign intensifies ahead of this November’s presidential election, including the question: why now? The Chinese government’s trade and currency policies have come up regularly in recent years. Indeed, since the end of the Cold War, trade-related issues such as the debates over most-favored nation status, intellectual property rights and China’s currency valuation have been behind recurring sources of tension in the U.S.-China relationship. Previously, though, the U.S. government was able to adopt low-profile approaches to any problems, working quietly with the Chinese government to solve disputes. Policymakers in the U.S. government understand that when dealing with countries such as China, intense media coverage and public attention generally do little to help resolve problems. Which begs the question as to why Obama has decided to openly pick a fight with China on a series of trade issues – does he see a political opportunity in doing so? The most likely reason Obama has upped the rhetorical ante is that Sino-U.S. relations have already become a regular topic of discussion among the Republican presidential hopefuls. All of the Republican candidates have been vying with each other to sound tough on China. And the fact is that former Massachusetts Gov. Mitt Romney is not only the frontrunner in the Republican primary race – he has also taken an early lead in China bashing. On numerous occasions on the campaign trail, Romney has talked tough on China, accusing it of “stealing” American jobs and intellectual property. In his widely-read op-ed in the Wall Street Journal, meanwhile, Romney denounced China’s political system. “A nation that represses its own people cannot ultimately be a trusted partner in an international system based on economic and political freedom,” he wrote. “While it is obvious that any lasting democratic reform in China cannot be imposed from the outside, it is equally obvious that the Chinese people currently do not yet enjoy the requisite civil and political rights to turn internal dissent into effective reform.” Romney has also repeatedly vowed, if elected, to sign an executive order identifying China as a currency manipulator on his first day in office. Indeed, with the U.S. economy still sluggish, China bashing has become one of the focuses of Romney’s presidential campaign. Challenged by his Republican opponents over the China issue, Obama has responded swiftly, toughening his rhetoric over China’s trade and currency practices. And he has been joined by other senior officials in his administration. On March 1, for example, Vice President Joe Biden visited the battleground state of Iowa, telling voters that China is too authoritarian to ultimately beat the United States. Such remarks have underscored an important reality for 2012 – the closer the presidential election draws, the more heated the rhetoric is likely to become. This raises the related question of how politically successful such an approach is likely to prove. Certainly, there’s widespread concern in the West over the rise of China. But it seems strongest in the United States, a point underscored by polls suggesting that more than half of Americans have an unfavorable opinion of China. It’s true many Americans have mixed feelings about China’s rapid economic development. And while they may admire China’s economic achievements, many also worry about the consequences of economic competition from China. Such views aren’t surprising – the United States has been struggling for the past few years with a deep economic slump. Many Americans therefore feel frustrated and even angry. Sadly, though, from congressional races to gubernatorial polls to the presidential election, candidates for office have been only too willing to exploit these understandable concerns. American political campaigns, then, have proven to be like a game of poker – bashing China isn’t always a winning hand, but it’s a safe one for all involved. Still, safe though the attacks on China might feel, they are also unlikely to have much impact on American voters. American voters as a whole are generally seen as having little interest in foreign policy issues, whether because of a lack of knowledge on foreign policy issues or a feeling that foreign policy has no particular relevance to their lives. Most American voters focus on domestic issues – jobs, taxes and gas prices, as well as social issues like gun violence, gay marriage and abortion. The fact is that although China is the United States’ most important bilateral relationship, American voters won’t be casting their votes on the basis of a candidate’s China policies. And anyway, the U.S. and Chinese economies are so integrated that U.S. policymakers can’t simply cut their constituencies off from China. So, does all this China bashing really matter – and does it risk inflaming already tense ties? There’s a long tradition, especially since the Cold War and the demise of the Soviet foe, of American presidential candidates attacking China. Bill Clinton, George W. Bush, and Barack Obama all attacked their predecessor’s China policies. Some went further than rhetoric, taking key policy decisions to underscore their “toughness.” For example, in September 1992, President George H.W. Bush approved the sale of 150 F-16 jet fighters to Taiwan, a move viewed by the Chinese government as “the most hideous U.S. arms sale to Taiwan since 1979.” In March 1996, President Bill Clinton ordered two U.S. aircraft carrier battle groups to the Taiwan Strait in response to China’s provocative military exercises in the lead-up to Taiwan’s first democratic election. The move helped underscore Clinton’s readiness to stand up to China in support of a fledgling democracy. But election year posturing – and the ups and downs of U.S.-China relations more generally – shouldn’t overshadow the fact that successive U.S. and Chinese governments have made ongoing efforts to institutionalize bilateral relations. Yes, the two nations have different political and economic systems, and their peoples sometimes have very different world views. And these differences can lead to prejudice. But the communications revolution of the past two decades also means that there are constantly expanding opportunities for Americans and Chinese to interact on many different levels, which should eventually encourage greater understanding. The reality is that much of the heated political rhetoric over China will die down once the presidential election is over. Despite the claims by some candidates to the contrary, we can safely assume that come January, whoever comes out on top in November will deal with China in a pragmatic and constructive manner.

#### Perception of Chinese trade dominance triggers protectionism and military conflict

Liu 5 (Henry C.K. Liu is an independent commentator on culture, economics and politics, former professor at UCLA, Harvard, and Columbia, a contributor to Asia Times, advisor on economic policy to several governments of emerging economies, “The Coming Trade War” August 20, 2005, <http://henryckliu.com/page10.html>, RS)

Within US policy circles, the rapid rise of China as a major force in the global economy is provoking a reconsideration of whether free trade is still in the US national interest. The prospect that China can be a major economic power is feeding wide-spread paranoia in the US. The fear is that developing nations led by China and India may out-compete the advanced nations for high-tech jobs while keeping the low-skill, labor-intensive manufacturing jobs they already won. China already is the world's biggest producer and exporter of consumer electronics and it is a matter of time before it becomes a major player in auto exports. Shipbuilding is now dominated by China and aircraft manufacturing will follow. The US Navy is now dependant on Asia, and eventually China, to build its new ships and eventually the economics of trade will force the US Air Force to procure planes made in Asia and assembled in China. The fear of China by the US dates back to almost two centuries of racial prejudice, ever since Western imperialism invaded Asia beginning in early 19th century. Notwithstanding that it is natural, ceteris paribus, that the country with the world’s largest population, an ancient culture and long history would again be a big player in the world economy as it modernizes, the fear that China might soon gain advantages of labor, capital and even technology that would allow it to dominate the world economy and gain the strategic advantages that go along with such domination, is enough to push the world’s only superpower to openly contemplate preemptive strikes against it. Furthermore, Chinese culture commands close affinity with the population in Asia, the main concentration of the world’s population and a revived focal point of global geopolitics. Suddenly, socio-economic Darwinism of survival of the fittest, celebrated in the US since its founding, is no longer welcome by US policymakers when the US is no longer the fittest and the survival of US hegemony is at stake. To many in the US, particularly the militant neo-conservatives, international trends of socio-economic Darwinism now need to be stopped by war. China has more than 1.3 billion people, a fifth of the world’s population, and a work force of 700 million as against a US work force of 147 million. To avoid being over taken by China in aggregate national income, US wages would have to maintain a gap of five times over Chinese wages. Historically-based technological and economic advantages currently give US workers a nominal wage gap of over 35 to 1 over Chinese workers, or 9 to 1 on purchasing power parity (PPP) basis. This comfortable gap is not based on current productive differentials but rather on unbalanced terms of trade and geopolitical incongruity left by history. Yet until wage parity is attained, free trade will continue to be driven by cross-border wage arbitrage in favor of China. But with wage parity, the Chinese economy will be five times the size of the US economy, a prospect not welcomed by the US geopolitical calculations. It was the superior US economy that enabled the US to emerge as victor in the two world wars and to prevail in the Cold War. The US is waking up from its self delusion about free trade to the reality that free trade never leads to balanced trade. Free trade always works against the weaker trading partner even with the principle of comparative advantage. The British promoted free trade when it’s economy was the strongest in the world. Friedrich List, in his National System of Political Econ (1841), asserts that political economy as espoused in England, far from being a valid science universally, was merely British national opinion, suited only to English historical conditions. List’s institutional school of economics asserts that the doctrine of free trade was devised to keep England rich and powerful at the expense of its trading partners and it must be fought with protective tariffs and other protective devises of economic nationalism by the weaker countries. Henry Clay’s "American system" was a national system of political economy. The US was happy to promote free trade when unbalanced trade was in favor of the stronger US economy. Balanced trade between unequal partners requires managed trade at the expense of the stronger partner, which is achieved by the weaker economy resorting to government interference on free trade for more favorable terms of trade. Such government interference is driven by the politics of trade. When managed trade is conducted against the weaker partner, it is economic imperialism. When it is conducted against the stronger partner, it is known as leveling the playing field. Yet some in the US are engaging in New Speak when they seek the perpetuation of economic imperialism by demanding a leveling of the playing field in trade with weak, less-developed economies. As poor nations press the WTO to stop unfair US farm subsidy, US cotton growers try to defuse the mounting pressure by offering help to growers in poor nations. The US government spends $4.5 billion annually in subsidy on a cotton crop with a market price of $5.9 billion, which otherwise must be priced more than double in the world market. This subsidy enables US growers to profitably export three quarters of their output and control 40% of world trade in cotton. What the US lost in textile manufacturing, it gains back in subsidized cotton export, high returns on investment in overseas textile mills and low consumer prices in cotton goods. Thus the current tariff war against Chinese textile is merely the US wanting its cake and eating it too. While $4.5 billion is a merely pittance in the $2.4 trillion 2005 US fiscal budget, the subsidy has the effect of ruining the economy of the world’s poorest nations. The National Cotton Council, a powerful trade group in US domestic politics, while basking in the happy situation of seeing US cotton export increase by 350% between 1999 and 2004, from 4 million 480-pound bales to 14 million bales, explains that the goal of helping African growers is “not to make Africa a big cotton producer,” only to make the miserable lives of poor Africans “a little better.” It is a strategy of protecting managed trade with welfare trade. On the other hand, simply doubling the market price of cotton will not help African growers, whose competitive disadvantages go beyond market price, and cannot be eliminated without fundamental changes in the terms of global agriculture trade. While China’s economy has grown by over 9% annually for the last couple of decades and its GDP had soared from $147 billion in 1978 to $1.6 trillion in 2004, the US GDP, $11.75 trillion in 2004, was still far ahead by 7.4 times over that of China. Because of the difference in population size, US 2005 per capita GDP is $41,917 while that of China is only $1,411, a gap of almost 30 times. The US ranks 8th in the world in per capita GDP while China ranks 111th. In 2004, US per capita income was $35,400 while that of China was $960, a 36.8 times gap. The per capita income gap between the two economies, while closing at a dramatic rate, is still substantial. Despite such wide per capita income disparity, the US is apprehensive because it is this disparity that drains jobs from the US. While the narrowing of the wage disparity will slow the job drain to China, the resultant rise in Chinese aggregate national wealth will threaten US economic dominance in the world. In a neo-liberal free trade regime, the US has a choice of losing jobs or losing economic dominance and geopolitical power to China. That is the key dilemma in US economic policy towards China. There is an economic basis behind US antagonistic militancy towards China. The US won both previous world wars primarily by its war-time productive power. This fact has not been forgotten by US policy-planners. While US manufacturing base has been seriously eroded by neo-liberal global trade in the last two decades, the prospect of a shooting war with China will relocate much of the lost manufacturing back to the US in short order. In 1942, only weeks after Japanese attack on Pearl Harbor, President Roosevelt called for an annual production of 60,000 military planes, a near impossible demand considering that prewar annual production was only 6,000. But in 1943, some 86,000 planes were produced, exceeding the president’s call by a third. In World War II, the US produced 31,000 B17 and B24 long-range bombers to support strategic bombing, reaching a peak production rate of 50 per day. In 1941, 55,000 individual work hours were needed to turn out a B-17, and by 1944, this had dropped to 19,000 hours. Strategic bombing crippled German war production from ball bearings production to oil refineries for critically needed gasoline. The shortage of gasoline stalled German resistance in both the Eastern and Western fronts and crippled the Luftwaffe. Also, the time it took for an aircraft carrier to be built in the US dropped from 36 months in 1941, to 15 months in 1945. In all, 300,000 military planes were produced in four years of war. Because of the production prowess of the US, Germany and Japan simply could not produce enough weaponry fast enough to keep up with battle attrition the way the Allies could. It was only a matter of time before the Axis powers would be defeated. A market economy is a feeble weakling compared to a war command economy. That a war in Asia will relocate manufacturing jobs back to the US in large scale to get the US economy moving again must have occurred to the neo-con warriors who have been controlling US policy since 2000. The hawks in this group are betting on the gamble that China’s nuclear deterrence against attacks from the US can be neutralized by US strategic defense initiative (SDI), and that the US mainland will again be safe from attack. Notwithstanding irrational paranoia from US militarists, the fear of China by the US is not fundamentally based on military threat, albeit it has a military dimension. Henry Kissinger, arguably the greatest living master of geo-realpolitik, wrote on June 13 in the Washington Post: “Military imperialism is not the Chinese style. Clausewitz, the leading Western strategic theoretician, addresses the preparation and conduct of a central battle. Sun Tzu, his Chinese counterpart, focuses on the psychological weakening of the adversary. China seeks its objectives by careful study, patience and the accumulation of nuances -- only rarely does China risk a winner-take-all showdown.” US fear of China is a reaction to the destabilizing effect on existing, established geo-economics from the natural rise in economic power of a modernizing nation with a large population. It was this natural advantage of a large population that permitted the US and the USSR to exploit geopolitical opportunities to capitulate themselves into superpowers status after WWII. The British Empire was first and foremost a quest for population, and the wealth associated with it, albeit without the benefit of equality, the lack of which became the central weakness that deprived the empire of longevity. The lack of equality within the USSR was the main cause of its dissolution, not perverted communist doctrine. The large aggregate population of the EU is now driving its new economic aspirations. Japan will never be a contender for superpower status because of its small population and its exclusionary national culture.

## A2 relations resilient

#### Will spill over to overall relations

Thai News Service, 10 (“United States/China: US, China Meet to Smooth Ties; Analysts Say Big Challenges Remain,” 9/10/10, Factiva)

Liberthal noted that while it appears China is unwilling to move on the currency issue, it is likely that it will make efforts in other areas, including resuming military-to-military dialogues. China sidelined military-to-military dialogues earlier this year after Washington announced a new arms deal with Taiwan. But analysts said if the relationship continues to sour, it not only will **stall any improvement in U.S.-China ties**, but also could further delay an expected visit by Mr. Hu to the United States. - VOA

#### Aggressive trade stance will undermine relations in the current economic climate

Reuters, 8 (Emma Graham-Harrison, “RPT-ANALYSIS-Economy looms as China, US celebrate relations,” 12/30/2008, Factiva)

BEIJING, Dec 31 (Reuters) - China and the United States should be kicking off 2009 with a celebration of three decades' hard work building one of the world's most crucial diplomatic relationships. Instead the superpower and the rising power are fighting their way through an economic crisis that may be the biggest strain yet on the web of ties they have created. Following a ground-breaking visit by former U.S. President Richard Nixon in 1972, the United States switched diplomatic recognition from democratic Taiwan to Communist China on Jan. 1, 1979, recognising "one China" and marking Beijing's emergence from diplomatic and economic isolation. It smoothed and accelerated reforms that would transform China from a Cold War backwater into the world's fourth-largest economy at astonishing speed. "This is a very tough thing to manage because of historical precedents of rising powers and the reactions they provoke from other countries," said Susan Shirk, a professor at the University of California San Diego and former U.S. diplomat. "Historically, rising powers almost always mean war." In the search for a relationship that will be the cornerstone of peace, they have weathered an embassy bombing and a spy plane crash, a military crackdown on pro-democracy protests, and more recently, tensions over trade and the value of China's currency. But U.S. President-elect Barack Obama has vowed to put more pressure on China over export incentives and managed currency, and upbraided Beijing over human rights abuses and failure to enforce labour, environment and product safety standards. Analysts say a more aggressive U.S. stance, particularly on trade, risks testing delicate relations amid rapidly rising unemployment and a gloomy economic outlook in both countries.

China bashing kill relations- break down critical talks

Sanger and Chan 10 ( \*David E. Sanger, Chief Washington correspondent for the New York Times, \*\*Sewell Chan, journalist for the New York Times since 2004, a member of the National Advisory Board of the Poynter Institute, “Eye on China, House Votes for Greater Tariff Powers” New York Times, September 29, 2010, <http://www.nytimes.com/2010/09/30/business/30currency.html?pagewanted=all>, RS)

WASHINGTON — The House of Representatives sent an unusually confrontational signal to the Chinese leadership on Wednesday, voting overwhelmingly to give the Obama administration expanded authority to impose tariffs on virtually all Chinese imports to the United States. The move, which could affect more than $300 billion in goods this year, was made in retaliation for the country’s refusal to revalue its currency. The bill passed 348 to 79 and included the support of 99 Republicans, a highly unusual bipartisan vote at a time when large numbers of House Republicans have rarely joined Democrats on an economic issue. House Speaker Nancy Pelosi, who has long pressed China trade issues, personally gaveled the vote closed. Nonetheless, prospects for Senate approval are unclear. The action was intended to hand President Obama new leverage in what has become a major flashpoint between the world’s two largest economies. While tariffs have been placed on specific products, like steel and tires, because of evidence of unfair export subsidies, the threat of putting sizable tariffs on a country’s entire line of exports to the United States is highly unusual — and, some argue, of dubious legality under international trade law. It reflects both election-year politics over a loss of American jobs and great frustration over unfulfilled promises by China to allow its currency to rise in value, which would make Chinese goods less competitive in the United States. The Obama administration never took an emphatic position on the legislation and some officials say that, if passed, signed into law and challenged at the World Trade Organization, it might well be struck down. But this is a case where the symbolism may be more important than the legal niceties, and for that reason, the White House has been of two minds about the bill. Mr. Obama has tried to use the rising public anger over China’s trade advantage to argue to Chinese leaders that the United States would no longer tolerate deliberate currency manipulation, a point Mr. Obama made repeatedly in a meeting last week with Wen Jiabao, China’s prime minister. He did so again on Wednesday in Des Moines, where one businessman asked the president about the issue. “The reason that I’m pushing China about their currency is because their currency is undervalued,” he said, adding: “People generally think that they are managing their currency in ways that make our goods more expensive to sell and their goods cheaper to sell here. And that contributes — that’s not the main reason for our trade imbalance — but it’s a contributing factor to our trade imbalance.” But in conversations with Congress, the Treasury secretary, Timothy F. Geithner, and other officials have warned of the danger of touching off a trade war, in which China blocks American goods in retaliation, that could hurt both economies. The risks go beyond trade. Mr. Obama is pressing China for help on cutting exports to Iran, managing a dangerous leadership transition in North Korea and some kind of accord on curbing carbon outputs that contribute to global warming. He is also coming up with what one senior administration official called on Tuesday “new rules of the road” over disputed maritime territory. But in Beijing, and on Capitol Hill, all that pales in comparison to the currency dispute, which is often portrayed in the Chinese news media as an effort to curb China’s growth, and thus its power. Eswar S. Prasad, a professor of trade policy at Cornell, called the legislation “a shot across the bow that indicates a clear escalation from overheated rhetoric about Chinese currency policy to more substantive action.” While it is unlikely there will be a trade war, he said, “there is now a real risk that a cycle of tit-for-tat trade sanctions could spin out of control and cause some real, if not lasting, damage.” Under the bill, Mr. Obama would not have personal control to turn sanctions on or off. The legislation would make it easier for the Commerce Department to place duties on imports from countries that have “fundamentally undervalued” currencies — defined as “protracted, large-scale intervention” in foreign exchange markets; an undervaluation of at least 5 percent; persistent global current account surpluses; and “excessive” foreign asset reserves. Traditionally, only direct subsidies to an industry, rather than the indirect help that comes from an undervalued currency, have been considered a reason for retaliatory tariffs. Because so many countries have managed their currency rates for so long, it is unclear that the W.T.O. would uphold any American efforts to make the manipulation of a currency a justification for action. While the bill did not mention China by name, the criteria were clearly written with China, the largest creditor of the United States, in mind. In response, the official Xinhua news agency quoted China’s commerce ministry spokesman, Yao Jian, as saying: “Starting a countervailing investigation in the name of exchange rates does not conform with relevant W.T.O. rules.” But later in the day the Chinese Foreign Ministry was more emphatic about its displeasure, saying the House effort could harm economic ties between the two countries. "We firmly oppose the U.S. Congress approving such bills," Jiang Yu, a ministry spokeswoman told reporters in Beijing. "We urge the U.S. congressmen to be clearly aware of the importance of China-U.S. trade and economic relations, resist protectionism so as to refrain from any damage to the interests of both peoples and people around the world." So far the administration has been reluctant to pursue retaliation against China. The Treasury Department has repeatedly declined to formally declare China a currency manipulator. And last month, the Commerce Department decided not to investigate allegations that China’s currency practices amounted to an improper export subsidy. “The United States does not gain leverage in these negotiations by doing things China doesn’t find credible,” said Marc L. Busch, a political scientist at Georgetown. “The Chinese are aware that this is just not going to fly.” But the Obama administration may have few other options and few allies. Europeans are largely uninterested in the problem: the euro has weakened because of the sovereign debt crisis, limiting European incentives to get involved. Japan is intensely interested, and this month intervened in the currency markets for the first time since 2004, moving to devalue the yen unilaterally. But in the House, the politics of the moment seemed more important than the long-run economic strategy of managing economic relations with China. Representative Sander M. Levin, Democrat of Michigan and chairman of the House Ways and Means Committee, said that “China’s persistent manipulation of its currency” had resulted in a “tilted field of competition” and the loss of as many as 1.5 million American jobs. “This manipulation is one of the causes of outsourcing of our jobs — manufacturing and other good jobs,” he said. “Talk hasn’t worked.” The top Republican on the committee, Representative Dave Camp of Michigan, said that the Obama administration had been insufficiently engaged in securing international pressure on the Chinese; that the bill would not promote Mr. Obama’s goal of doubling American exports over five years; and that other issues — like China’s tolerance for violations of intellectual property rights — were as significant as the currency undervaluation. Even so, Mr. Camp said, “I will vote for this bill because it signals to China that Congress’s patience is running out.”

## Taiwan impact

#### China bashing causes war over the Taiwan Strait

Loong 1 (Mark Loong, Department of Political Science at the National University of Singapore, “Cross-Strait Tensions in Taiwan”, 9/13/ 2001, http://members.tripod.com/~marklsl/Writings/taiwan.htm, AG)

Hence, it can therefore be argued that the increasingly confrontational way in which America has engaged China can lead to the Taiwan Strait becoming a "flashpoint" of the Asia Pacific region. This is because the US had generally been adopting closer ties with Taiwan, believing the defence of the territory to be integral towards the preservation of its security interests in Asia, especially in the accessing of Taiwan's ports to preserve the freedom of navigation and the flow of commerce. In addition, Taipei's economic prosperity was advantageous to the cultivation of Washington's diplomatic and political ties with Beijing, especially since Taiwan was investing a large amount of capital in business ventures with China, encouraging economic reform and ultimately political liberalisation.[20] Particularly due to growing perceptions that China would emerge to be an American competitor, any military action by Beijing would probably encounter US resistance, an act that could possibly erupt into general war, taking into account the interlocking American system of alliances in the region.

#### These wars cause extinction

Straight Times 2k (Ching Cheong, Senior Writer at the Strait Times, “No one gains in a war over Taiwan,” June 25th, Lexis)

THE high-intensity scenario postulates **a cross-strait war escalating into a full-scale war between the US and China**. If Washington were to conclude that splitting China would better serve its national interests, then **a full-scale war becomes unavoidable. Conflict on such a scale would embroil other countries far and near and -horror of horrors -raise the possibility of a nuclear war**. Beijing has already told the US and Japan privately that it considers any country providing bases and logistics support to any US forces attacking China as belligerent parties open to its retaliation. In the region, this means South Korea, Japan, the Philippines and, to a lesser extent, Singapore. **If China were to retaliate, east Asia will be set on fire**. **And the conflagration may not end there as opportunistic powers elsewhere may try to overturn the existing world order**. With the US distracted, Russia may seek to redefine Europe's political landscape. The balance of power in the Middle East may be similarly upset by the likes of Iraq. In south Asia, hostilities between India and Pakistan, each armed with its own nuclear arsenal, could enter a new and dangerous phase. Will a full-scale Sino-US war lead to a nuclear war? According to General Matthew Ridgeway, commander of the US Eighth Army which fought against the Chinese in the Korean War, the US had at the time thought of using nuclear weapons against China to save the US from military defeat. In his book The Korean War, a personal account of the military and political aspects of the conflict and its implications on future US foreign policy, Gen Ridgeway said that US was confronted with two choices in Korea -truce or a broadened war, which could have led to the use of nuclear weapons. If the US had to resort to nuclear weaponry to defeat China long before the latter acquired a similar capability, **there is little hope of winning a war against China, 50 years later, short of using nuclear weapons.** The US estimates that China possesses about 20 nuclear warheads that can destroy major American cities. **Beijing also seems prepared to go for the nuclear option**. A Chinese military officer disclosed recently that Beijing was considering a review of its "non first use" principle regarding nuclear weapons. Major-General Pan Zhangqiang, president of the military-funded Institute for Strategic Studies, told a gathering at the Woodrow Wilson International Centre for Scholars in Washington that although the government still abided by that principle, there were strong pressures from the military to drop it. He said military leaders considered the use of nuclear weapons mandatory if the country risked dismemberment as a result of foreign intervention. Gen Ridgeway said that should that come to pass, **we would see the destruction of civilization**.

## Iran impact

#### Will undermine Chinese cooperation on Iran

Reuters 10 (“Q&A: Lawmakers consider action on yuan,” 9/13/10, <http://www.reuters.com/article/idUSTRE68C4F920100913>)

HOW WOULD CHINA RESPOND?

China reacted angrily last year when Obama slapped duties on its tire exports to the United States after union workers complained of a market-disrupting surge.

It would likely be even more irate if Congress passes and Obama signs legislation treating China's undervalued currency as a government subsidy.

Beijing would almost certainly challenge the action at the World Trade Organization and could also retaliate by making life difficult for U.S. exporters.

The bill could also dampen Chinese willingness to cooperate in other areas, including on the Iran nuclear issue. But Beijing has tended to keep its economic disputes with Washington at some remove from other areas of diplomatic engagement, and it does not have a habit of making explicit quid pro quo deals linking the two.

Chinese Premier Wen Jiabao is likely to warn Obama against currency legislation when the two meet on the sidelines of United Nation meetings next week in New York.

Enactment of a bill could make for frosty meetings between Obama and Chinese President Hu Jintao in November at both the next Group of 20 summit in Seoul and the annual meeting of leaders from Asia-Pacific Economic Cooperation nations.

#### Chinese cooperation key to solve US and Israel strike

GSN 9 (12/18/2009, Global Security Newswire, “In Iran Sanctions Plea, Obama Warns of Possible Israeli Strike,” <http://gsn.nti.org/gsn/nw_20091218_2685.php>)

The United States cannot indefinitely prevent Israel from launching strikes on Iran's nuclear facilities if China maintains its opposition to new punitive measures aimed at curbing the Middle Eastern state's disputed nuclear activities, U.S. President Barack Obama warned Chinese President Hu Jintao last month, according to Haaretz (see GSN, Dec. 17).

Israel, the United States and a number of European powers have expressed concern that elements of Iran's nuclear program could support nuclear weapons development. China and Russia have typically taken a softer approach to Tehran, which has insisted its nuclear work has strictly civilian aims.

Although Washington thought it had won a pledge from China to adopt a firmer stance on Iran's nuclear program, Beijing limited its action against Iran to endorsement last month of an International Atomic Energy Agency governing board resolution denouncing Tehran's work on its recently disclosed Qum uranium enrichment facility.

China's support for the resolution did not signify a wider shift in the nation's Iran strategy, according to Israeli officials. Rather, Beijing only backed the measure because Obama had specifically asked President Hu to do so, they said.

Beijing has also turned down a U.S.-backed proposal to boost Saudi petroleum exports to China, the officials said. The plan aimed to reduce China's dependence on Iranian oil, lowering the cost Beijing would incur for supporting new sanctions against Tehran (Ravid/Mozgovaya, Haaretz, Dec. 17).

#### Israeli attack will cause great power war and crush the global economy

Trabanco 9 – Independent researcher of geopoltical and military affairs (1/13/09, José Miguel Alonso Trabanco, “The Middle Eastern Powder Keg Can Explode at Anytime,” <http://www.globalresearch.ca/index.php?context=va&aid=11762>)

In case of an Israeli and/or American attack against Iran, Ahmadinejad's government will certainly respond. A possible countermeasure would be to fire Persian ballistic missiles against Israel and maybe even against American military bases in the regions. Teheran will unquestionably resort to its proxies like Hamas or Hezbollah (or even some of its Shiite allies it has in Lebanon or Saudi Arabia) to carry out attacks against Israel, America and their allies, effectively setting in flames a large portion of the Middle East. The ultimate weapon at Iranian disposal is to block the Strait of Hormuz. If such chokepoint is indeed asphyxiated, that would dramatically increase the price of oil, this a very threatening retaliation because it will bring intense financial and economic havoc upon the West, which is already facing significant trouble in those respects.

In short, the necessary conditions for a major war in the Middle East are given. Such conflict could rapidly spiral out of control and thus a relatively minor clash could quickly and dangerously escalate by engulfing the whole region and perhaps even beyond. There are many key players: the Israelis, the Palestinians, the Arabs, the Persians and their respective allies and some great powers could become involved in one way or another (America, Russia, Europe, China). Therefore, any miscalculation by any of the main protagonists can trigger something no one can stop. Taking into consideration that the stakes are too high, perhaps it is not wise to be playing with fire right in the middle of a powder keg.

# Neg

## Protectionism

#### Technology makes protectionism impossible

Houston Business Journal 98 (Houston Business Journal, “Protectionism impossible with new technologies” July 19, 1998, <http://www.bizjournals.com/houston/stories/1998/07/20/editorial1.html>, RS)

In "The World News Prism," William A. Hachten writes of the interdependence of nations and the larger roles cooperation and good will play in confronting and understanding the ebb and flow of global crises. "No one nation or even combination of nations can deal effectively with such global concerns as international monetary crises, pollution of the air and oceans, terrorism and regional warfare, or widespread famine and food shortages. "Yet the blinders of nationalism and modern tribalism continue to influence political leaders everywhere to react to international problems with narrow and parochial responses." The quote underscores the shallow debate over whether President Clinton should have gone to China to meet with that nation's authoritarian leaders. Of course he should have. As Cold War ideologies no longer hold sway, the rising influence of global economics has spurred the United States to take a more inclusive approach to potential trading partners. The naivete of pundits who opposed Clinton's visit was exposed by the very mechanism that now makes economic protectionism not only injurious to national health but almost impossible. That mechanism is the technology of rapid communication. When Clinton debated human rights with Chinese President Jiang Zemin, the medium became the message. The debate scenes, broadcast instantly worldwide through satellite feeds, opened a window to democracy that will be difficult now to close. The same technologies allow companies in Houston to do business with partners in Hong Kong. True, there was a time when a nation could internally control the flow of information. In the horrible days following the Tiananmen Square massacre, it seemed China's taskmasters could, in fact, stifle free expression. But, just as fax machines, VCRs, modems and short-wave radios stoked the fires of freedom in the Soviet Union, the ability to send a torrent of pictures instantly around the world has bent back the iron grip China's hardliners have held on the truth. As competing economies find new levels of comfort, as businesses become tempted by foreign markets and as global mergers reach into the nation's heartland, Clinton's visit to China assumes significance as an acknowledgement that no country any longer exists as an island in space.

#### Protectionism is good

Daly 94 (Herman E. Daly, senior economist at the Environment Department of the World Bank and co-founder and associate editor of the journal Ecological Economics, “WHEN PROTECTIONISM IS A GOOD THING”, This column was prepared and distributed by the People-Centered Development Forum based on his presentation to a conference sponsored by the Institute for Policy Studies in Washington, D.C., January 25, 1994, <http://www.davidkorten.org/1994/67daly>, RS)

Most public discussions of free trade treat "protectionism" as a dirty word. The recent debates on the North American Free Trade Agreement (NAFTA) and current debates on the General Agreement on Tariffs and Trade (GATT) are a case in point. Protectionism to economists usually means protecting an inefficient, lazy and often monopolistic national industry against really efficient foreign competition to the detriment of consumers. This kind of protectionism is economically inefficient and should be resisted. This does not mean, however, that protectionism is always bad. To the contrary, there are important instances in which protectionism is an essential precondition even to economic efficiency. The most fundamental rule of economic efficiency in a market economy is that the full costs of producing a product must be included in its price. There must be no subsidies. When the environmental costs of producing a product are passed on to the larger society, this constitutes a form of subsidy by the society to the producer. When a country requires that environmental costs be internalized in prices, this is a step toward greater economic efficiency. However, when a country with policies that support this form of economic discipline engages in free trade with one that does not, the tendency will be for more and more production to shift to the latter. This reduces economic efficiency and should be resisted as vigorously as the protection of inefficient national monopolies. Free trade also has enormous consequences for the standards a society choses for itself that must be treated separately from questions of pure economic efficiency. Standards regarding the distribution of income exemplify the issue. Whether intended or not, free trade between the countries of North American under NAFTA represents an active commitment to a low wage policy. While NAFTA was often presented as a generous act by Canada and the United States to share their great wealth with Mexico, proponents made little mention of who was to do the sharing. In fact, it is the laboring class, which in the United States has already suffered a seventeen percent decline in real wages since 1973. Lower wages mean that returns to those who own capital in all three countries will go up. In reality the workers in the United States and Canada will not be sharing their declining wages with underpaid Mexican workers so much as with the owners of capital. We have come to speak of global competition as a major value. Are we competing for a good standard of living for most of our people? Eighty percent of the U.S. labor force is classed as non-supervisory employees. What is the value of competing to lower the incomes of eighty percent of U.S. working people? We could do many unwise things to make ourselves more internationally competitive, such as moving back to child labor. That doesn't mean we should. There are two ways to make products cheaper for the consumer. One is to increase efficiency. Everyone favors that. The other is to reduce environmental and employment standards. Reducing the wages paid for a given amount of productive work represents a lowering of standards, not an increase in efficency. Free trade encourages a standards lowering competition as much as it motivates increases in real efficiency. It is important to distinguish between the two. There are real gains from trade, but there are also benefits in maintaining a degree of local self-sufficiency which is very different from autarky. Let me close with a quote from John Maynard Keynes, who in 1933 wrote an overlooked essay on national self-sufficiency. I've heard this referred to as the aberration of a great mind. But I think it was the clear thinking of a great mind. He said the following: "I sympathize therefore, with those who would minimize, rather than with those who would maximize, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel, these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible. And above all, let finance be primarily national."

## China bashing

#### Relations are resilient

VAO news 12 (Voice of America editorial, “U.S.and China Strategic And Economic Dialogue” May 16, 2012, <http://www.voanews.com/policy/editorials/US-And-China-Strategic-And-Economic-Dialogue-151738605.html>, RS)

“The United States remains committed to building a cooperative partnership based on mutual benefit and mutual respect,” U.S. Secretary of State Hillary Rodham Clinton said at the opening session of the fourth annual U.S.-China Strategic and Economic Dialogue in Beijing. “In today’s world, no global player can afford to treat geopolitics as a zero-sum game, so we are working to build a relationship that allows both of our countries to flourish without unhealthy competition or conflict, while at the same time meeting our responsibilities to our people and to the international community.” The United States and China have already become thoroughly and inescapably interdependent, and therefore, a thriving China is good for America, and a thriving America is good for China. “If China’s rising capabilities means that we have an increasingly able and engaged partner in solving the threats we face to both regional and global security - that is all good,” Secretary Clinton said. But building a cooperative, resilient, mutually beneficial relationship is not easy. That’s why constructive dialogues between the United States and China are critical as well as necessary. “We are discussing how the talks are opening economic activity to advance prosperity, support innovation, and improve the lives of people, how to promote greater military transparency to avoid misunderstandings, to build trust and maintain mutual stability, and how to tackle some of the world’s most urgent crises from climate change to proliferation,” she said. “As part of our dialogue, the United States raises the importance of human rights and fundamental freedoms because we believe that all governments do have to answer to citizens’ aspirations for dignity and the rule of law, and that no nation can or should deny those rights,” Secretary Clinton continued. “A China that protects the rights of all its citizens will be a stronger and more prosperous nation, and of course, a stronger partner on behalf of our common goals.” The continuing conversations between Washington and Beijing reflect how much the U.S.-China relationship has grown since President Nixon came to China in 1972. “It’s fair to say China and the United States cannot solve all the problems of the world,” Secretary Clinton said in conclusion. “But without our cooperation, it is doubtful any problem can be solved. And so . . . we go forward with our dialogue, seeking opportunities for engagement, building ties that are not only between governments but family, friends, entrepreneurs, students, scholars, artists, and so much else.”

## No China Bashing

#### ( ) China currency revaluation now

**Economist ‘10**

[The Economist. 2010 http://www.economist.com/opinion/displaystory.cfm?story\_id=15663352 //Cal-JV]

ONE of the few good things about the Great Recession of 2008-09 was a merciful absence of complaints from America’s Congress about China’s currency. The yuan’s gradual appreciation stopped in July 2008, and China has since kept its currency tightly pegged to the dollar. But even as America suffered its worst downturn in the post-war period, its legislators steered clear of ranting against China. That restraint was driven partly by fear. At the depths of the crisis even the most myopic Congressmen worried about a descent into 1930s-style protectionism. And it was driven partly by the facts. As investors’ flight to safety strengthened the dollar in late 2008, the yuan rose along with it. With America’s imports slumping it was hard to blame Chinese workers for American joblessness. And thanks to its huge domestic stimulus China added to global demand last year, as its current-account surplus shrank sharply. Now things have, unfortunately, gone into reverse. As policymakers in both countries shift from cushioning recession to managing recovery, the rigidity of the yuan is, once again, becoming a source of tension—one that a still-fragile global recovery can ill afford. America sounds increasingly determined to push its exports, and its attitude to China has hardened. Mr Obama has set a goal of doubling exports in five years (see article) and has promised to “get much tougher” over what it regards as unfair competition from China. Speculation is rising in Washington, DC, that the Treasury will brand China a currency “manipulator” in its next exchange-rate report. With America’s unemployment at 9.7% and the mid-term elections approaching, the appeal of China-bashing is rising in Congress, too. Several senators recently revived a mothballed demand that the Commerce Department should investigate China’s currency regime as an unfair trade subsidy. Beijing, in turn, shows little sign of budging on the yuan, even though the latest figures show surprisingly strong export growth and higher-than-expected inflation. Zhou Xiaochuan, the head of China’s central bank, caused a brief flurry in currency markets when he argued on March 6th that keeping the yuan stable against the dollar was “part of our package of policies for dealing with the global financial crisis” from which China would exit “sooner or later”. But he made it quite clear that China would be cautious and gave no hint that sudden exit was imminent. In recent days various other Chinese officials have put even more emphasis on the stability of the currency, bristled at outside pressure to hurry up and denounced American “politicisation” of the exchange-rate issue. A speedy end to the dollar peg makes economic sense for China as well as for the world. A stronger, more flexible currency would make it easier for China to control inflation and asset bubbles. A dearer yuan would also help rebalance China’s economy towards domestic spending by boosting Chinese consumers’ purchasing power, discouraging excessive investment in manufacturing and squeezing corporate profits. That would put the global recovery on a steadier footing, especially if a stronger yuan were mirrored by appreciation of the currencies of other Asian emerging economies. And China would gain politically by helping to diffuse protectionist pressure from abroad. But it would not be a magic bullet, either within China or outside. Rebalancing China’s economy will require big structural reforms, from tax to corporate governance, as well as a stronger currency. A stronger yuan would not suddenly bring back millions of jobs to America. Since America no longer makes most of the products it imports from China, a stronger yuan would initially act more like a tax on consumers.

#### ( ) No short-term impact

**Levy ‘10**

[Phil. “Summers in Beijing” Foreign Policy 9/8/10 googlenews//Cal-JV]

The Obama administration is in a difficult spot in its economic diplomacy with Beijing. By failing to object, it has tacitly conceded the flawed but popular [argument](http://shadow.foreignpolicy.com/posts/2010/06/21/to_gloat_or_not_to_gloat) that China's exchange rate policy is an important determinant of American job creation. Now the administration finds itself with few levers to move the RMB, which hovers roughly where it has since 2008, despite a Chinese announcement of new flexibility in June. Thus, the administration is left pursuing a policy of repeated bilateral beseeching, so far with little to show. It reached this unfortunate juncture, in large part, because of a decision to allow the currency question to take center stage. The fixation with China's currency has been long-standing in Washington and is the rare issue that finds some bipartisan agreement. Yet the economic case for this fixation is [not particularly strong](http://blog.american.com/?p=12192). The most prominent advocates for Chinese revaluation as a cure for U.S. economic woes have argued that an appreciation would boost demand for U.S. goods, shrink the U.S. trade deficit, and thereby create an appreciable number of new jobs. Some evidence for the efficacy of exchange rate moves comes from the redoubtable [Bill Cline](http://www.google.com/url?sa=t&source=web&cd=1&ved=0CBIQFjAA&url=http%3A%2F%2Fwww.iie.com%2Fpublications%2Fpb%2Fpb10-20.pdf&ei=B9CHTIWqKsGclgeZ49DEDg&usg=AFQjCNE-hlrm1ffqyFbcIKxpO50i5Y5YIA&sig2=fkoYTkmlQ4-Y2M2VKtXcrA), of the Peterson Institute. He provides statistical evidence that China's trade balance does respond to exchange rate moves. In making this argument, he is countering the critique that China's sole significant episode of exchange rate appreciation, from 2005 to 2008, was accompanied by a growing trade deficit. Cline shows that the more conventional relationship between exchange rates and trade balances does hold, only with a lag of about a year or two. He explains: The lag reflects the time it takes for the exchange rate signal to be interpreted as more than a temporary fluctuation, and the additional time for resulting production decisions and trade flows to materialize. Practical interpretation: Chinese currency revaluation cannot provide a quick fix to the U.S. economic predicament. We will have to wait quite a while, Cline's estimates show, for the full effects of any future Chinese moves to kick in.

#### **( ) No impact to China Bashing**

**Talley ‘10**

[Ian. Economics Reporter – WSJ. “US Treasury Official Sees Sustained Yuan Move” Wall Street Journal, 9/12/10 ln//Cal-JV]

The official declined to comment on the pace of currency reform in China, but added, "We expect to see sustained progress over an extended period." The administration has been reluctant to judge whether the rate of change is satisfactory based on short-term moves, but has kept quiet pressure on Beijing at the highest levels. China's tightly controlled currency hit a new high against the dollar Friday, a development many are interpreting as a fresh attempt by the government to deal with rising U.S. political pressure to allow the yuan to rise in line with market rates. Beijing's decision follows meetings earlier this week between U.S. National Economic Council Director Lawrence Summers and other senior White House officials with Chinese leaders, and ahead of House and Senate hearings on the yuan where Treasury Secretary Timothy Geithner is to testify. Appetite in Congress to take action against China is high with an election looming. Rep. Tim Ryan, one of the lead co-sponsors for legislation in the House addressing China, said the appreciation hadn't changed his mind about moving forward his bill. "We've seen this situation before...and then they go back to the same tricks," said Ryan, a Democrat from Ohio, a manufacturing state threatened by China's burgeoning productivity. China had sought to blunt some international pressure over the value of the yuan in June, announcing ahead of the Group of 20 meeting earlier this year it would begin moving toward a floating yuan again. But the currency has only appreciated a fraction of a percent over the past several months, frustrating lawmakers who say the currency is undervalued between 20% and 40% and a major contributor to the U.S.'s massive trade deficit. China says the issue on the yuan is overly politicized in the U.S. They point to the 20% appreciation between 2005 and 2008, when the U.S. deficit actually grew, and say the U.S.'s problems are structural and have little to do with China's currency. Eswar Prasad, A Cornell University economist and former head of the International Monetary Fund's China Division, called Beijing's move a strategic move ahead of the U.S. elections, predicting another similar adjustment before the campaign concludes. "It is highly likely to allow for another 1% to 2% appreciation before November," he said. By delaying appreciation while the dollar depreciated against the euro and yen, Prasad says the Chinese have effectively targeted two goals: relieving political pressure in the U.S., and easing the pain for their own exporters. Officials in Beijing say China is committed to long-term reform and a major adjustment--such as the type that many U.S. legislators are seeking--would not only harm their economy, but damage the U.S. economy. But many of these arguments fall on deaf ears. Mike Wessel, a former aide to House Democratic Leader Richard Gephardt and member of the congressional advisory board the U.S.-China Economic and Strategic Review Commission, said, politically speaking, the move is too little, too late. "Quite frankly, I think people are sick and tired of repeating that same old song," he said. "The appetite for action in Congress is quite strong....there's lack of trust after repeated years of intransigence and reversals." While Beijing's move isn't likely to assuage House legislators, the administration and groups such as the U.S.-China Business Council--which is made up of multinational companies with significant interests in China--may be able to persuade senators to slow-walk the measure until after the November elections. Without the added heat of the campaign, momentum for full passage may dissipate.

#### ( ) The current legislation is **too weak** to make China reval

**Shaw ‘10**

[John – Staffer for MarketWatch. “Geithner to Shape Hill Debate on China FX Bill Thursday” 9/10/10 Marketwatch //Cal-JV]

If the Commerce Department ruled that this currency imbalance amounted to an impermissible subsidy, it could open the door to the imposition of countervailing duties on Chinese imports on a product-specific basis. It could also lead to anti-dumping remedies being applied to products from China. Experts often argue that using countervailing duty and anti-dumping measures to punish China for its exchange rate policies would be ruled illegal by the WTO. Even this legislation, if enacted, would be far less draconian than the bill Schumer drafted in 2005 that would have imposed a 27.5% retaliatory tariff on Chinese imports if China failed to significantly revalue its currency.

#### ( ) No diplomacy impact – Obama’s not tied to China bashing

**Shaw ‘10**

[John – Staffer for MarketWatch. “Geithner to Shape Hill Debate on China FX Bill Thursday” 9/10/10 Marketwatch //Cal-JV]

Treasury Secretary Tim Geithner will spend most of next Thursday on Capitol Hill, defending his department's international economic and foreign exchange report, and trying to persuade lawmakers that he is making progress in getting China to reform its currency. Geithner will testify Thursday on the Treasury report before the Senate Banking Committee at 10 a.m. and then again at 2 p.m. before the House Ways and Means Committee on the same report. Ironically, the Treasury secretary will be explaining the report which was due on April 15 but released months late, just weeks before a new report is due in October. Geithner is likely to spend next Thursday on the defensive, explaining Treasury's Forex report to skeptical lawmakers. Geithner released his department's semiannual currency and foreign exchange on July 8 and it concluded that no major trading partner, including China, manipulated its currency. But Geithner vowed to be vigilant in monitoring Chinese currency reforms which were announced on June 19. "What matters is how far and how fast the renminbi appreciates," Geithner said. "We will closely and regularly monitor the appreciation of the renminibi and will continue to work towards expanded U.S. export opportunities in China that support employment in the United States, in close consultation with Congress," he added. The congressional reaction to the Treasury report when it was released ranged from politely skeptical to derisive. After the report was released, Senate Banking Committee Chairman Chris Dodd said the Treasury report told an obvious truth. "China continues to undervalue its currency," Dodd said, adding that his committee would hold a hearing with Geithner to "determine what solutions we can deliver for American workers so they can secure jobs and compete."