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# Steel

### Steel 1nc

#### China is the global steel industry leader, however, production levels are increasing as demand is slowing – china will sustain now, but market imbalances could wreck it

Dexter Roberts (Bloomberg Businessweek's Asia News Editor and China bureau chief) 6/28 “For China, Too Much Steel Isn't Enough”, http://www.businessweek.com/articles/2012-06-28/for-china-too-much-steel-isnt-enough

Even as local officials relish their good fortune, it is unclear that China needs another steel plant. The country is already the world’s largest steel producer, accounting for 45 percent of global output, and is home to six of the world’s 10 largest steelmakers, including Baosteel, which had revenue of 223 billion yuan ($35 billion) last year. The mainland’s total capacity, which is set to hit 940 million tons this year, already outstrips demand by 220 million tons, according to Shanghai-based research and consulting firm Mysteel. “The situation is dire. We have never seen overcapacity on such a scale,” says Michael Komesaroff, a principal at commodity consultants Urandaline Investments in Queensland, Australia. The excess supply, coming at a time when iron-ore prices remain high, is hitting profitability. China’s steel industry lost 1 billion yuan in the first quarter, compared with a profit of 25.8 billion yuan last year. “The winter for the steel industry has come. We will have to control output and watch for high inventory,” warned Zhang Changfu, general secretary of the China Iron and Steel Association, in April. “Major steel users such as property, auto, shipbuilding, and infrastructure have all slowed their growth or even declined.” Baosteel announced on June 12 that it plans to cut prices for some products by 4 percent in July, the first reduction so far this year. Since the Mao era, China’s steel industry has been a symbol of national strength. Its development has often been spurred by political goals rather than economic realities. In the aftermath of the global financial crisis, China embarked on an infrastructure binge, building bridges, buildings, and high-speed rail. But loose credit policies at the banks, plus rapid approval for most industrial projects, meant the country was adding new steel capacity even faster than demand. Growth in steel consumption will fall from the high single digits to around 3 percent this year, estimates macroeconomic consultant GK Dragonomics in Beijing. All told, China’s National Development and Reform Commission has recently approved a total of $23 billion in new steel projects, Bank of America Merrill Lynch (BAC) noted in a May 30 report. China is loath to see economic growth dip too far, especially in the run-up to this fall’s 18th Party Congress, at which the new leadership of the People’s Republic will be anointed. “They are not building infrastructure now because they need it, they are building now because they want to hit GDP targets,” says Patrick Chovanec, a business professor at Tsinghua University in Beijing.

#### New transportation projects revive the US steel industry – allow to compete internationally

AAM (Alliance for American Manufacturing) Feb 2010 “Buy America Works: Longstanding United States Policy Enhances the Job Creating Effect of Government Spending”, http://www.mcwanebuyamerican.com/pdfs/buyamericanworks.pdf

The deterioration of our industrial base, caused in large measure by a drastic shift of employment to overseas factories, is cause for alarm as lawmakers search for answers that will result in more than just a “jobless recovery.” To put it simply, the manufacturing sector has been disproportionately slammed by this recession. According to the Bureau of Labor Statistics, manufacturing employment has fallen by 2.1 million jobs since December of 2007. Even worse, the steady and increasing decline in manufacturing in the United States has been ongoing for a much longer period. According to an article by Richard McCormack in the January/February 2010 issue of The American Prospect, “Manufacturing employment dropped to 11.7 million in October 2009, a loss of 5.5 million or 32 percent of all manufacturing jobs since October 2000. The last time fewer than 12 million people worked in the manufacturing sector was in 1941. In October 2009, more people were officially unemployed (15.7 million) than were working in manufacturing.” Moreover, the nation is in a fragile and jobless recovery after the fastest and most severe economic contraction since the Great Depression. In 2008, the country lost 2.6 million jobs; the largest loss in over sixty years. At the start of 2009, approximately 750,000 jobs vanished in a single month and unemployment reached 10.2 percent and has remained at 10 percent for the last three months with no appreciable signs of decreasing in the short term. Substantial federal, state, and private investment in our highway, transit, sewer, and clean energy infrastructure, must be made if the United States is to revive our economy and create good manufacturing jobs. Given the dire problems the economy has experienced and continues to experience, the inclusion of domestic sourcing requirements in an upcoming job creation bill is the smart thing to do. It would ensure that the materials used in a myriad of infrastructure projects are produced by workers and companies in the United States to the maximum extent possible. It would also minimize taxpayer funds going to pay for materials produced overseas, re-employ manufacturing workers here at home, and help bring back production capacity in sectors of our economy that have been hard hit by the brutal downturn, including the steel industry. Indeed, a 2008 Government Accountability Office (GAO) study describes the benefits of “Buy America” policies, noting that potential benefits include “protecting domestic employment through national infrastructure improvements that can stimulate economic activity and create jobs...” (GAO-09-36; December 12, 2008) [emphasis added]. Likewise, a report released by the Alliance for American Manufacturing (AAM) in January of 2009, How Infrastructure Investments Support the U.S. Economy: Employment, Productivity and Growth, shows that roughly 18,000 new jobs would be created for every $1 billion in new infrastructure spending on our nation’s transportation, energy, water systems, and public schools. To adequately meet the nation’s assessed infrastructure needs over the next five years, the report estimates that a minimum of $87 billion per year is needed, of which $54 billion would come from the public and $33 billion would be private investment. Importantly, according to that report, manufacturing employment gains from infrastructure investment can increase by up to 33 percent when the amount of domestic materials purchased are maximized with the inclusion of strong domestic sourcing provisions. We must recognize that we no longer live in a closed economy. Thus, substantial sums of taxpayer funding intended for investment and job creation here at home could instead wind up going overseas into the hands of foreign producers and governments unnecessarily unless we ensure that domestic sourcing rules are incorporated into federal procurement for a wide range of infrastructure projects. It would be a very unwelcome outcome for the American people if manufacturing jobs and capacity instead were created overseas. China, European nations, and many other foreign governments have already made commitments to heavily invest in their industrial base, which is an important step in capturing the technology that will support sustained employment in the 21st century. We must do the same if the United States is to successfully compete now and in the years to come.

#### Increased U.S. steel capacity undercuts China’s market share – that’s the backbone of Chinese growth

George Haley (PhD, Professor & Director, Center for International Industry Competitiveness, College of Business, University of New Haven) March 24 2009 “Testimony before the U.S.-China Economic and Security Review Commission Hearing: China’s Industrial Policy and its Impact on U.S. Companies, Workers and the American Economy,” http://www.uscc.gov/hearings/2009hearings/written\_testimonies/09\_03\_24\_wrts/09\_03\_24\_haley\_statement.php

What impact has China’s support of its pillar industries had on U.S. industries and the U.S. economy? How are state-owned banks used to support China’s industrial policy? How do state-owned enterprises benefit from Chinese industrial policies? The impact of Chinese governmental support has been varied and in some instances, quite dramatic. Table 2, which focuses on the steel industry, provides a lens for understanding these impacts. From 2003 to 2007, a period of economic growth in the U.S., especially in the construction industry, U.S. domestic steel production increased from 93.7 million metric tons to 97.2 million. When the recession hit in December 2007, 2008 U.S. production dropped to 91.5 million. The period from 2003 through 2007 also constituted a period of economic growth in China, and once again, especially in the construction industry. However growth in Chinese capacity and production of steel far outstripped growth in demand. Chinese steel production between 2003 and 2007 more than doubled from 222.3 million metric tons to 489 million, with double digit growth in each year. With the onslaught of the worldwide recession, growth moderated substantially downward to 2.6 percent, but Chinese steel production rose to 502 million metric tons, regardless of the fact that the Chinese construction industry’s growth has slumped to 7.1 percent, little more than half its growth rate of 2006, and not nearly enough to offset the growth in steel making capacity. Table 2 also presents the extraordinary growth in Chinese steel exports to the U.S. Chinese steel exports to the U.S. in 2008 were twenty times its exports to the U.S. in 2003. Differences in relative labor costs between the two countries cannot explain this growth in exports. Though Chinese labor costs per hour in the steel industry are roughly one twentieth that of U.S. labor, labor represents only about ten percent of the total costs for steel . Additionally, U.S. labor productivity in the steel industry is 12.1 times the labor productivity in the Chinese steel industry. Finally, Table 2 demonstrates that from 2003 to 2007, the U.S. steel industry lost 10,660 employees, or 9.9 percent of its workforce. Given the steel industry’s job multiplier of 3.3, this represents a total loss to the economy of 35,178 jobs. Chinese banks advance governmental policy in a number of ways. Presently, China’s banks reinforce the government’s effort to reignite the economy in two ways. First, Chinese banks have the government-mandated goal of providing a minimum of 5,000 billion Yuan (US$731.6 billion) in new loans. Second, the government looks to the banks for a significant amount of the funding for its 4 trillion Yuan (US$585 billion) stimulus package. The Beijing government will fund only one quarter of the stimulus package, and local governments and banks will fund the balance. Additionally, when it wants to stimulate a specific industry, such as autos, the government instructs the banks to offer extremely low-cost loans. In the late 1990’s and early part of this decade, China stimulated the growth in the auto industry, and thus the growth of foreign direct investment from Western and Japanese auto companies, in this fashion. When the government later decided to raise interest rates, Western companies could not meet sales or profitability projections. Today, China has decided on a policy of stimulating sales of vehicles with small engines, less than 1.6 litres, and is offering low-interest loans, the elimination of a five-percent vehicle-buying tax, and for farmers buying trucks or cars with engines of 1.3 litres or less, additional subsidies of 5 billion Yuan ($730 million) payable in lump-sum amounts, have been allocated. These subsidies and tax rebates are over and above the subsidies and other support measures the government is giving its auto companies during the present economic crisis. The Chinese government has often subsidized state-owned enterprises without having the subsidies tracked to operating companies’ books. Common practices include transferring the state-owned enterprise’s best assets to an operating company subsidiary which then lists on a Chinese stock exchange. When the government decides that a company requires a subsidy, it makes a direct cash transfer, or a low-cost bank loan to the unlisted parent company, which then transfers the funds to its listed subsidiary. In this way, the subsidy never appears on the listed company’s books. State-owned enterprises benefit in many other ways. The State Council has allocated 10 billion Yuan ($1.5 billion) in special funds to the auto industry over the next three years to support technology innovation, and the development of new-energy and electric vehicles and their parts. In addition, while not indicating the amount of funding, the State Council also announced that it would speed up the building of bases for the export of autos, support the building of brand equity and recognition of Chinese auto companies, and mandate a general enhancement of credit arrangements for the purchase of autos (January 14, 2009). Examples of other benefits include the stabilization of share prices by the State-owned Assets Supervision and Administration Commission (SASAC); industry consolidation plans developed, mandated and supervised by SASAC (logistics, storage and shipping industry); funding of capital asset projects (utilities and power industry); funding of technology development and quality enhancement projects (auto, aerospace, bio-technology, steel and telecommunications industries, among others); and funding, regulatory support and cultural pressure (by naming them “time honored brands”) in support of brand building for specified Chinese products both overseas and domestically (autos - Chery, appliances - Haier, computers - Lenovo, liquor - Maotai, candy – White Rabbit Milk Candy, and a host of other products). American companies will still be able to compete in many industries globally; however, their market shares, costs, profitability and employment levels will be affected. Questions will arise on the long-term viability of some second-tier companies. The U.S. is not a low-cost producer. To be competitive, U.S. companies must contend on the basis of quality and brand equity. Hence, the Chinese government’s efforts to subsidize technology acquisition, quality control and brand equity constitute direct attacks on the U.S. companies’ market positions and competitive advantages. This, in concert with the Chinese government’s naming the wholesaling and retailing industries together with the logistics, storage and shipping industry as pillar industries, and moving to consolidate them into more efficient cross-nodal logistics and transportation giants, raises grave concerns. Competitive advantages of distribution and channel management often pose the most formidable challenges for companies to overcome. The Chinese government’s industrial policies have focused on the backbone of the value chain and distribution channel. Efficiency in the value chain and distribution channels will give Chinese companies significant advantages in China’s export markets that it does not presently have, and may deny U.S. companies equal access to Chinese markets. This same issue created a difficult competitive environment for many U.S. companies in Japan. Competitive Effects: How are China’s industrial policies likely to affect global markets and American competitiveness? What developments can we expect to see over the next five years? China’s policies will probably contribute to severe disruption in global markets. Though the Chinese policies tend to reduce consumer prices, they do so in anti-competitive fashions. The use of government subsidies to control costs in Chinese industry, and to promote the acquisition of competitive advantages in brands and technology, creates situations where foreign companies cannot compete and are forced into closure. The global steel industry reflects the effects of Chinese industrial policies. Due to the tremendous overbuilding of capacity and significant government subsidies from both central and local authorities, China is dominating world trade and production in steel. Over twenty U.S. steel companies have closed down operations, creating over 50,000 lost jobs in the U.S. alone. Globally and in the U.S., the steel industry has entered a period of consolidation that has caused more job losses as companies shed employees that have become superfluous. Chinese policies have also lead to Chinese auto-production capacity burgeoning to more than twice Chinese demand. To make profits, Chinese and foreign producers alike in China have to export and to fight for global market share.  U.S. producers have slashed prices, cut U.S. based capacity and shifted production and employment overseas to remain price competitive.

#### Economic growth prevents CCP lash out

Susan Shirk (director of the University of California system-wide Institute on Global Conflict and Cooperation) and Ho Miu Lam (professor of China and Pacific Relations at IR/PS and Deputy Assistant Secretary of State in the Bureau of East Asia and Pacific Affairs) 2007 Fragile China

As China’s leaders well know, the greatest political risk lying ahead of them is the possibility of an economic crash that throws millions of workers out of their jobs or sends millions of depositors to withdraw their savings from the shaky banking system. A massive environmental or public health disaster could also trigger regime collapse, especially if people’s lives are endangered by a media cover-up imposed by Party authorities. Nationwide rebellion becomes a real possibility when large numbers of people are upset about the same issue at the same time. Another dangerous scenario is a domestic or international crisis in which the CCP leaders feel compelled to lash out against Japan, Taiwan, or the United States because from their point of view not lashing out might endanger Party rule.”

#### Collapse of the CCP control triggers a nuclear civil war and regional conflicts

Yee and Storey 02 (Herbert Yee, Professor of Politics and International Relations at the Hong Kong Baptist University, and Ian Storey, Lecturer in Defence Studies at Deakin University, 2002 (The China Threat: Perceptions, Myths and Reality, p. 5.

The fourth factor contributing to the perception of a China threat is the fear of political and economic collapse in the PRC, resulting in territorial fragmentation, civil war and waves of refugees pouring into neighbouring countries. Naturally, any or all of these scenarios would have a profoundly negative impact on regional stability. Today the Chinese leadership faces a raft of internal problems, including the increasing political demands of its citizens, a growing population, a shortage of natural resources and a deterioration in the natural environment caused by rapid industrialisation and pollution. These problems are putting a strain on the central government's ability to govern effectively. Political disintegration or a Chinese civil war might result in millions of Chinese refugees seeking asylum in neighbouring countries. Such an unprecedented exodus of refugees from a collapsed PRC would no doubt put a severe strain on the limited resources of China's neighbours. A fragmented China could also result in another nightmare scenario - nuclear weapons falling into the hands of irresponsible local provincial leaders or warlords.'2 From this perspective, a disintegrating China would also pose a threat to its neighbours and the world.

### Uniqueness – brinks

#### China steel industry is growing – margin room for loss is low – it is on the brink

New York Times May 3 2012 “In China's Floundering Steel Sector, the Burden of Politics”,

http://www.nytimes.com/2012/05/04/business/global/in-chinas-floundering-steel-sector-the-burden-of-politics.html?pagewanted=all

The slogans on the red banners highlight difficult times for the Chinese steel sector, which has seen margins plummet and has racked up a mountain of debt as it tries to serve the twin masters of the state and the market. Beijing has tried to address problems in the steel sector — which accounts for 3 percent to 4 percent of gross domestic product — by forcing state-owned mills to consolidate or to migrate toward more complex, higher-value goods. If there is one solution the country has not pushed, it is allowing the worst performers in the steel sector to go out of business. Nor does that seem likely in the steel industry, which Mao Zedong identified nearly half a century ago as a symbol of Chinese economic and political prowess. “The big state-owned steel mills are motivated not so much to seek profits but to seek government support,” said Jiang Feitao, a steel policy researcher at the Chinese Academy of Social Sciences. “There is actually no mechanism to put them out of business, no sense of the survival of the fittest, and that is probably the biggest problem facing the sector.” Chinese steel mills have expanded ferociously since the country began introducing market reforms in 1978, and annual crude steel output rose 9 percent last year to a record 683 million tons. The country now produces 45 percent of the world’s steel and has 6 of the world’s 10 biggest producers. While many analysts acknowledge that growth could slow, they also say that demand is nowhere near its peak. But an obsession with size and technological advances has saddled Chinese steel mills with a surfeit of high-end capacity and the equivalent of $400 billion in debt, leading to a drain on profits. The Shaanxi plant, for instance, which can produce seven million tons of steel per year, is a joint venture of Longmen Iron and Steel Group, a state-owned company, and General Steel, a company listed in the United States. There is little sign of a slowdown at the facility. “Demand has never been the problem,” said Zhang Jia, a sales manager at the mill. “The problem has always been costs.” Although still robust, China’s total consumption growth rate last year of 8 percent was nearly half the average annual growth rate of 15 percent over the previous decade. Excess capacity is projected at 110 million tons this year, about 14 percent of total capacity. That will mean that margins, which were already thin in 2011 at 3 percent, will continue to be squeezed. By comparison, the average for other industrial sectors in China was 6 percent. Over all, the Chinese steel sector lost money in the first quarter of 2012, according to the China Iron and Steel Association, which expects growth in demand to slow to 4 percent this year. The top Chinese steel maker, Baoshan Iron and Steel, also known as Baosteel, saw a 43 percent slump in 2011 net income, while Anshan Steel posted a loss of 2.15 billion renminbi, or $341.2 million. “The money earned by steel mills from the steel business every year isn’t even as much as depositing money in the bank,” said Zhou Jicai, head of Jiyuan Iron & Steel, a state-owned company in Henan Province. Last year, a standard deposit in a Chinese bank would have earned 3.5 percent in interest. Average returns on equity from the steel sector were 3.51 percent, but were as low as negative 7.98 percent at Anshan Steel. Encouraging the country’s steel giants to compete with foreign companies has contributed to a glut in supplies of high-end products that has eroded profits further. The biggest Chinese producers have borrowed heavily to pay for new equipment, while small, private mills have commandeered smelters across the country to fill the low-end niche. Data for small mills are hard to find, but analysts believe their profits to be healthy. Last year, rebar was selling at the same price as hot-rolled coil, which is far costlier to produce. Although Beijing has criticized the private sector as “blindly expanding,” it is doing so, in part, because of government policy. The focus on consolidation has created a vicious circle, analysts say, with smaller private mills expanding as rapidly as possible to avoid becoming merger targets, often with the support of local governments. A case in point was Rizhao Steel in Shandong Province, whose capacity rose to more than 12 million tons in 2010, a tenfold increase from 2003. The expansion was driven mainly by the company’s desire to protect itself from a government-led consolidation plan. China has urged its largest mills to buy overseas mining projects to help bring down costs of raw materials, but the mills have proved reluctant to do so because of high prices. Some are seeking to build steel plants in other emerging markets. Chinese steel exports, a small fraction of total business in the country, have not recovered to pre-2008 levels, and the national steel association routinely points to an increase in international protectionism. Brazil, Europe and the United States, for example, have all added anti-dumping taxes on Chinese products. That being the case, the domestic market is expected to remain the primary focus of the industry. “China is still in the middle of a construction period, and demand for steel will at least remain strong,” said Henry Yu, the founder and chairman of General Steel. Mr. Yu said the company was particularly confident about demand from the country’s west, where road and factory construction are strong. Only one major Chinese enterprise — Bayi Iron and Steel, which is owned by Baosteel — covers Xinjiang, a large region in the far northwest of the country. Baosteel plans to move two advanced, but unprofitable, iron-making furnaces to Xinjiang and to double Bayi’s capacity to 15 million tons per year by 2015. Also in Xinjiang, Shandong Iron and Steel has nearly completed a 2.5 million-ton steel project, and Xinxing Ductile Iron Pipes will build a special steel plant with 3 million tons of annual capacity. The consulting firm Mysteel said that 91 billion renminbi would be spent in Xinjiang from 2011 to 2015 to raise annual steel capacity to 32 million tons but that demand from the western part of the country would not be able to prop up the sector for very long. “The supply tightness is expected to ease by 2013, and the region could also face a glut given the current investment frenzy,” said Hu Yanping, an analyst with the Custeel consulting firm. “It will also be hard to ship out the surplus steel products due to limited transportation capacity.” Despite recent losses in the steel industry, bankruptcies are not expected to be widespread, analysts say, as neither Beijing nor local governments are willing to risk such blows to their reputations, employment levels and tax receipts. Small, regional state-owned companies like Jiyuan Steel and Valin could be vulnerable to takeovers, but debt-ridden industry giants are not likely to volunteer for punishing restructuring programs. Anshan Steel’s protracted merger with Benxi Iron and Steel is still mired in bureaucracy five years after it was proposed. Specialists say that problems in the industry will not be solved until Beijing ends its desire to create state-owned Goliaths rather than address underlying political problems. Indeed, Chinese steel giants, which have benefited from cheap loans and easy access to lucrative contracts, have served the needs of local governments, hiring hundreds of thousands of workers and providing cradle-to-grave welfare services. Mr. Jiang of the Chinese Academy of Social Sciences said that mills could thrive if they were just allowed to do so. “The steel sector could develop very steadily as long as there is no great policy interference,” he said. “But there has been a lot of policy interference.”

#### China’s steel production and market output is growing – limited global capacity

Wall Street Jouranl 5/28 “Steeling for a Chinese slowdown” <http://www.theaustralian.com.au/business/wall-street-journal/steeling-for-a-chinese-slowdown/story-fnay3x58-1226369452287>,

China's steel industry has churned out more than two million tonnes a day so far this month. That is 749 million tonnes on an annualized basis, or almost 10 per cent above the country's prior peak output, according to Steel Market Intelligence. Yet China doesn't need it. With the economy slowing, there is excess supply and prices are dropping. SMI's Advance/Decliner Index for Chinese steel prices just recorded a zero reading for the third week in a row. If it goes to a fourth week, says SMI's Michelle Applebaum, it will be the first time that has ever happened. Reports that some Chinese buyers are delaying purchases of iron ore add to the sense that there is a glut of steel in the country. The most influential people in Sport To alleviate this, Chinese steel exports have jumped - up 28 per cent in the first four months of this year. But like China, the rest of the world is struggling to swallow all that steel. Output elsewhere, such as North America and Europe, is flat or down. In other words, cut-price Chinese exports are taking market share. But hark! Is that Beijing riding to the rescue? Aghast at a slew of weaker economic data in recent weeks, and no doubt keeping a wary eye on the latest installment of the euro-zone crisis, China's leaders are back in growth mode. Infrastructure projects are set to be accelerated to bring forward growth, and analysts are predicting more spending on social housing too.

### Uniqueness – rebounding

#### Chinese steel exports growing – market will increase

Reuters 6/20 “Iron Ore-Spot on track to stretch gains to 9th day” [http://af.reuters.com/article/metalsNews/idAFL3E8HK1ZA2012 0620](http://af.reuters.com/article/metalsNews/idAFL3E8HK1ZA2012%200620)

China's daily crude steel output neared record highs in early June, based on the latest industry estimate, suggesting producers may continue to replenish iron ore stockpiles, although some traders say prices may soon peak. Price offers in top iron ore importer China for cargoes from major producer Brazil rose by $2 a tonne on Wednesday, while prices for material from other origins were mostly steady, according to industry consultancy Umetal. That could further lift the benchmark 62-percent grade iron ore .IO62-CNI=SI which marked its eighth straight day of gains on Tuesday, its longest run since mid-November when the price of steel's raw material rose for 14 days in a row. Iron ore rose 0.4 percent to $136.60 a tonne, according to price provider the Steel Index, the highest since May 14. "The market looks fairly well supported at the moment. There's a fair number of transactions going through," an iron ore trader in Singapore said. Top miner Vale is offering 170,000 tonnes of 65-percent grade Brazilian Carajas iron ore fines at a tender on Wednesday, while third-ranked BHP Billiton will sell 70,000 tonnes of 62.7-percent grade Australian Newman fines. The current run-up in iron ore began after a fall in prices to two-week lows drew Chinese steel mills back into the market to restock. That prompted traders to snap up cargoes and take positions on hopes the restocking will continue with most mills running at full capacity. China's daily crude steel output rose 2 percent to 1.999 million tonnes in the first 10 days of June from the previous 10-day period, as large mills ramped up output, according to the China Iron and Steel Association. The run-rate is close to the record 2.045 million tonnes posted in early May, and suggests producers are anticipating demand to recover as China acts to boost its economy. "The production increase is disappointing to us given the increased number of reports of 'accelerated maintenance outages' taking place, but not entirely surprising, as we have been concerned that Beijing's interest rate cut could end up backfiring causing steelmakers to ramp up production in anticipation of future demand," Chicago-based Steel Market Intelligence said in a note. Still, the iron ore rally may soon run out of steam, unless Chinese steel prices, which are down around 1 percent this year, recover strongly. "We're seeing a bit of pullback in bids because market seems to have peaked," said an iron ore trader in Hong Kong. An Australian miner sold five iron ore shipments on Tuesday, with three cargoes sold at prices that were slightly lower than previous deals, the Steel Index said.

#### China steel industry outlook is positive – growth will continue

Bloomberg March 20 2012 “China Steel Growth Has Flattened As Economy Shifts, BHP Says”, http://www.bloomberg.com/news/2012-03-20/china-steel-growth-has-flattened-as-economy-shifts-bhp-says.html

BHP Billiton Ltd. (RIO), the world’s biggest mining company, said China’s steel production is slowing as the world’s fastest-growing major economy starts to shift to focus more on consumers than large building projects. “The big infrastructure build clearly will come to some end,” Ian Ashby, the Melbourne-based company’s president of iron ore, told reporters today in Perth. “Steel growth rates will flatten, and they have flattened, and we still see positive growth out to the middle of the next decade.” The Australian dollar dropped for the first time in four days after the comments as Rio Tinto Group, the world’s second- largest iron ore exporter, said at a conference in Perth that it’s seeing a slowdown in China, its biggest customer. Premier Wen Jiabao this month cut the nation’s economic annual growth target to 7.5 percent and an official at the China Association of Automobile Manufacturers said vehicle sales this year may miss the industry group’s forecast. “The rate of GDP growth in China is more immediately slowing,” Rio’s David Joyce, managing director of expansion projects, said at the conference. “We remain confident on the basis of the figures we have seen, of a soft landing, with solid growth for this year.” Dollar Declines Australia’s dollar lost 0.4 percent to $1.0564 at 6:17 p.m. in Sydney after climbing 1.5 percent over the past three days. The so-called Aussie slid 0.3 percent to 88.12 yen from 88.40 yesterday, when it rose as high as 88.64, the highest since May 2011. BHP closed 0.1 percent lower at A$35.31 and London-based Rio declined 0.4 percent. The benchmark S&P/ASX 200 Index retreated 0.4 percent. “There will be further risk that the Chinese economy will be slowing down” more than expected, said Lee Wai Tuck, a currency strategist at Forecast Pte in Singapore. Steel output in China, the biggest producer, may slow growth to 4 percent this year, the China Iron and Steel Association said March 6. China’s vehicle sales may only increase by 5 percent this year, compared with the China Association of Automobile Manufacturers forecast of 8 percent, as economic conditions damp demand, Gu Xianghua, deputy secretary general of the association said today in Qingdao. Weak Demand Tire production growth in China, the world’s largest automobile market, may slow this year to 5 percent as a weaker economy saps sales in the commercial-vehicle market, Shen Jinrong, chairman of Hangzhou Zhongce Rubber Co., a Chinese tiremaker, said today in Qingdao. Output grew 6.05 percent in 2011, according to the China Rubber Industry Association. Iron ore prices have averaged $141.14 a metric ton this year, down 16 percent from last year’s average, according to data from The Steel Index Ltd. for iron ore shipments to China’s Tianjin port. The steelmaking raw material may average $86 a ton by 2016, Bank of America Corp.’s Merrill Lynch unit said in a report dated yesterday. “The type of economy that’s being developed in China is changing,” Ashby said. It “will go through a phase of things like machinery and equipment becoming more important as people get up that GDP per head curve,” he said. Double Capacity China’s steel demand will remain positive until at least 2025, he said. BHP (BHP) is doubling iron ore capacity by 2020 and in January received initial approval for a A$14 billion ($15 billion) expansion of an export harbor in Western Australia to boost supply to steel mills. The cost estimate is from a report last year by the state’s Department of Mines and Petroleum. “We’re still confident in the long-term demand for commodities generally, of which iron ore is one, as one-third of the global population is urbanizing and the population is getting bigger,” Ashby said. The company hasn’t “slowed down” its plans to add more capacity, he said.

#### Chinese steel industry expecting strong gains

China Daily 6-7 China Daily, “Steel industry readies for project surge” 6-07-12, <http://www.chinadaily.com.cn/business/201206/07/content_15481550.htm>

The Chinese steel industry is gearing up for an expected surge in demand in the wake of a speedup in the approval of major infrastructure and industrial projects, experts said. As the State Council announced a series of policies to stimulate the economy by accelerating the approval of many important projects, including railway, energy, and infrastructure construction in rural region and western China, steel industry analysts said the pipeline of new work will increase demand for steel in the long term. They expected steel prices to rebound as early as the end of this month as a result. The price of hot rolled steel in China is currently 4,168 yuan ($655) per metric ton, down 9 yuan from last week. "The successive approval of new projects will help rebuild market confidence, but it will still need time to take real effect," said Ma Li, analyst at Lange Steel Information Research Center. Ma estimated the steel market will become particularly strong in the third quarter of this year. The resultant demand for new heavy construction equipment, which requires mainly high-end and special steel product, will also give the overall sector a significant boost. "The construction steel market will gain the biggest benefits from the new policies, and the demand for equipment manufacturing steel will increase too," Ma said. Han Weidong, a senior steel industry expert with Lange, added that given the approval of major infrastructure projects is a relatively long process, steel prices are likely to stop falling, and may even rise because of the "new projects' stimulation".

### Uniqueness – china increase US exports

#### China is increasing its market share in the US

American Iron and Steel Institute 6/6 [American Iron and Steel Institute, “Finished Steel Imports in May Were Near 2012 Peak Monthly Level; Import Market Share Remains at 24 Percent” AISI is comprised of 25 affiliate members who are suppliers to or customers of the steel industry.  AISI's member companies represent over three quarters of both U.S. and North American steel. capacity., [www.steel.org](http://www.steel.org)

Based on the Commerce Department’s most recent Steel Import Monitoring and Analysis (SIMA) data, the American Iron and Steel Institute (AISI) reported today that steel import permit applications for the month of May totaled 2,895,000 net tons (NT). This was a 10% decrease from the 3,230,000 permit tons recorded in April and a 3% decrease from the April preliminary imports total of 2,997,000 NT. Import permit tonnage for finished steel in May was 2,298,000 NT, down 2% from the preliminary imports total of 2,336,000 NT in April. The 2.3 million permit tons of finished steel imports in May was the 2nd highest monthly total in 2012 and only slightly below the April 2012 peak amount. May 2012 total and finished steel import permit tons would annualize at 34,787,000 NT and 26,731,000 NT, each up 22%, respectively, vs. the 28,515,000 NT and 21,835,000 NT imported in 2011. The estimated finished steel import market share in May was 24%. In May, the largest finished steel import permit applications for offshore countries were for South Korea (301,000 NT, up 12% from April), Japan (203,000 NT, up 42%), China (170,000 NT, up 20%), Turkey (124,000 NT, down 27%) and Germany (119,000 NT, up 40%). Through the first 5 months of 2012, the largest offshore suppliers were South Korea (1,496,000 NT, up 26% from the same period in 2011), Japan (831,000 NT, up 31%) and Turkey (806,000 NT, up 123%). Finished steel import permits for products that registered large increases in May vs. the April preliminary include standard pipe (up 38%), line pipe (up 38%), cold rolled sheets (up 27%), oil country goods (up 26%) and hot rolled bars (up 26%). Major products with significant year-to-date (YTD) increases vs. the same period in 2011 include reinforcing bars (up 54%), cut length plates (up 52%) and sheets and strip galvanized hot dipped (up 43%). In commenting on the May 2012 SIMA data, Thomas J. Gibson, AISI president and CEO, stated that, “At a time when U.S. economic growth is again slowing and our recovery remains fragile and far from complete, steel imports are near their highest levels for the year and import market share is above last year’s level. Especially in the current jobs and growth environment, the U.S. government should have zero tolerance for unfair trade surges, and we encourage our government leaders to use all available tools to prevent further import injury to steel and other U.S. manufacturers. ”

### 2nc uniqueness wall

#### China steel industry growing

Steel Guru 6/22 “Chinese crude steel output in May up by 2pct YoY”, http://www.steelguru.com/chinese\_news/Chinese\_crude\_steel\_output\_in\_May\_up\_by\_2pct\_YoY/269845.html

China Knowledge quoted according to the latest statistics released by the National Development and Reform Commission that China, the world largest steel producer, saw its crude steel output rise 2.5% YoY last month slowing from a 7.8% growth in the same period of 2011. In the first five months, the country crude steel output climbed 2.2% YoY to 296.26 million tonnes. The growth rate was 6.3 percentage points lower than that in the same period of last year. The commission said that the country output of steel products rose 6.3% YoY to 384.01 million tonnes in the first five months, slowing from a 12.3% increase in the corresponding period of last year. China exported 22.04 million tonnes of steel products in the period, up 10.1% YoY and imported 5.85 million metric tons of steel products, down 14.4% YoY.

### Uniqueness – china exports increasing

#### China Steel industry set to grow despite export decreases-infrastructure projects prove

News Track India 6/8 [News Track India, “China steel industry eyes brisk business”, 6/8/12, [www.newstrackindia.com](http://www.newstrackindia.com)

Beijing, June 8 (IANS) The Chinese steel industry will witness a surge in demand due to government approval of major infrastructure projects in the country, experts said. The State Council announced a series of policies to stimulate the economy, which include approval of railway, energy and infrastructure projects, China Daily reported. Analysts predict the projects will increase the demand for steel and their prices. The price of hot rolled steel in China is currently 4,168 yuan ($655) per tonne. The approval of new projects will help rebuild market confidence, said Ma Li, analyst at Lange Steel Information Research Centre. According to China Steel and Iron Association, the steel inventory in 26 major markets in the country reached about 15 million tonnes by June 1. China exported 4.67 million tonnes of steel in April, 361,000 tonnes less than the previous month, a 7.2 percent drop month-by-month, the daily added Thursday.

#### China exports to the US and the globe increasing

Alan H. Price, Esq. Timothy C. Brightbill, Esq. Christopher B. Weld, Esq. and Tessa V. Capeloto, Esq. October 2010 “THE REFORM MYTH:

HOW CHINA IS USING STATE POWER TO CREATE THE WORLD’S DOMINANT STEEL INDUSTRY”, http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ash

Two earlier reports, The China Syndrome: How Subsidies and Government Intervention Created the World’s Largest Steel Industry (July 2006) and Money for Metal: A Detailed Examination of Chinese Government Subsidies to the Steel Industry (July 2007) describe the various ways in which the Chinese government provides direct and indirect benefits to the steel industry, including cash grants, land grants, transfers of ownership interests, conversions of debt to equity, debt forgiveness, preferential loans, and tax incentives. These reports demonstrate that the Chinese government has provided – and continues to provide – massive amounts of financial assistance to China’s steel industry, in violation of its WTO commitments to abide by the Agreement on Subsidies and Countervailing Measures (“SCM Agreement”).4 The result of these enormous subsidies is that China’s steel exports, particularly exports to the United States, have increased significantly during the past decade. With its total steel production now more than eight times larger than that of the U.S. steel industry, China’s exports to the United States and the rest of the world will only increase.

### Links – domestic sourcing required

#### Buy American is already stipulated

James Heintz (Associate Research Professor & Associate Director) Robert Pollin (Professor of Economics & Co-Director) and Heidi Garrett-Peltier (Research Assistant At the Political Economy Research Institute) January 2009 “How Infrastructure Investments Support the U.S. Economy: Employment, Productivity and Growth”

To improve the number of manufacturing jobs created through a large-scale infrastructure investment initiative, the U.S. could pursue complementary policies to support domestic suppliers. In some cases, domestic sourcing requirements are already stipulated in the provision of certain categories of infrastructure when the investment receives federal financial support. Another approach would be for the U.S. to develop a broader industrial policy framework, aimed at promoting U.S. producers as world leaders in sustainable and efficient energy, such as solar, wind, and smart grid energy technologies. Direct ties to domestic manufacturing would be part of this broader industrial policy framework. Examples of domestic sourcing legislation include: the Federal Highway Administration: 28 USC Section 101 (note), requiring domestic sourcing of iron, steel and manufactured goods for highway construction projects; the Federal Transportation Administration 49 USC sections 5307 and 5323(j) requiring same for transit projects; the Federal Railroad Administration (AMTRAK) 49 USC section 24305, requiring domestic sourcing for mined and manufactured goods for railroad projects; the Federal Aviation Administration 49 USC sections 50101 through 50105 requiring domestic sourcing of manufactured goods for aviation facilities and safety projects; the Intercity Passenger Rail Service Corridor 49 USC section 24405, requiring domestic sourcing of steel, iron and manufactured goods for intercity passenger rail corridor program; and the Clean Water Act 33 USC section 1295 requiring domestic sourcing for mined, produced or manufactured goods for construction of water treatment works.

#### Current laws require Buy American language in any transportation infrastructure project

AAM (Alliance for American Manufacturing) Feb 2010 “Buy America Works: Longstanding United States Policy Enhances the Job Creating Effect of Government Spending”,

For more than 70 years, the United States has had domestic sourcing or “Buy America” laws on the books to ensure that American-made goods and materials have preference over imported products with respect to government procurement and infrastructure projects. Including domestic sourcing requirements in job creating legislation would be the most effective way to ensure taxpayer dollars are used to create and maintain jobs and manufacturing capacity to the maximum extent possible, thereby vastly improving the stimulative effect of government spending. Under current law, domestic sourcing requirements apply to general government procurement, materials for highway and transit infrastructure investments, projects funded by the American Recovery and Reinvestment Act of 2009 (the Recovery Act), and elsewhere. “Buy America” is a proven job creation tool that is broadly supported by Congress, the American people, and hundreds of local governments throughout the United States. Domestic sourcing laws comply with our international trade obligations and are utilized by numerous foreign governments. For all of these reasons, “Buy America” provisions should continue to be utilized in infrastructure and other spending bills so that our manufacturing base can thrive and so that more Americans can earn a paycheck and contribute to the overall welfare of the nation.

#### The steel for federal transportation projects has to come from U.S. companies

Department of Transportation 10 (Current list of provisions of the Buy America Act, 14 December 2010, <http://www.dot.gov/buyamerica/buy_america_.pdf>)

American Recovery and Reinvestment Act of 2009, Section 1605 – Buy American (100% Domestic Content of items below) Buy American The Recovery Act prohibits use of recovery funds for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. Waivers The head of the Federal department or agency finds that: (1) It would be inconsistent with the public interest; (2) Iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or (3) Inclusion of iron, steel, or manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent. Other There are provisions in the Recovery Act for the Federal Aviation Administration, Federal Transit Administration, Federal Railroad Administration, and Federal Highway Administration to apply their own grant requirements, including Buy America(n). All waivers have to be posted in Federal Register. U.S. international obligations (World Trade Organization Government Procurement Agreement, U.S. Free Trade Agreements, U.S.-EC Exchange of Letters [May 15, 1995], and Canada-U.S. Agreement on Government Procurement) apply. Federal Aviation Administration (FAA) 49 U.S.C. § 50101 – Buy American (see discretionary waiver when 60% Domestic Content of items below) Buy American The FAA will not obligate any funds authorized to be appropriated for any project unless steel and manufactured products used in such projects are produced in the United States. Waivers The Administrator has delegated authority to grant waivers to this requirement to Director of Acquisition and Contracting; Regional Administrators; and Center Directors upon finding that compliance with the Act would: (1) It would be inconsistent with the public interest; (2) The steel and goods produced in the United States are not produced in a sufficient and reasonably available amount or are not of a satisfactory quality; (3) When procuring a facility or equipment under the Airport and Airway Improvement Act of 1982: (A) the cost of components and subcomponents produced in the United States is more than 60 percent of the cost of all components of the facility or equipment; and (B) final assembly of the facility or equipment has occurred in the United States; or (4) Including domestic material will increase the cost of the overall project by more than 25 percent. Other Labor costs involved in final assembly are not included in calculating the cost of components. U.S. international obligations (World Trade Organization Government Procurement Agreement, U.S. Free Trade Agreements, U.S.-EC Exchange of Letters [May 15, 1995], and Canada-U.S. Agreement on Government Procurement) do not apply. Federal Highway Administration (FHWA) 23 U.S.C. § 313 – Buy America; 23 C.F.R. § 635.410 (100% Domestic Content of items below) Buy America The Secretary of Transportation shall not obligate any funds unless steel, iron, and manufactured products used in such project are produced in the United States. Applies to iron and steel products and their coatings that are to be permanently incorporated into the project. The FHWA, in its 1983 rulemaking, determined that Buy America did not apply to raw materials and waived its application to manufactured products, although in the statute, based on the public interest. Lack of adequate domestic supply resulted in a 1995 nationwide waiver for iron ore, pig iron, and reduced/processed/pelletized iron ore. In 1994, a nationwide waiver for specific ferryboat parts came into effect. Waivers The Secretary of Transportation may waive the requirement if the Secretary finds that: (1) It would be inconsistent with the public interest; (2) Such materials and products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or (3) Inclusion of domestic material will increase the cost of the overall project contract by more than 25 percent (this is a standing waiver codified in regulations when alternate bidding procedures are used). Other Labor costs involved in final assembly are not included in calculating the cost of components. All waivers have to be posted in Federal Register. All proposed waivers are first posted on the FHWA’s website for a 15-day comment period prior to publishing the final decision in the Federal Register. U.S. international obligations (World Trade Organization Government Procurement Agreement, U.S. Free Trade Agreements, U.S.-EC Exchange of Letters [May 15, 1995], and Canada-U.S. Agreement on Government Procurement) do not apply. Federal Railroad Administration (FRA) High Speed Rail Program 49 U.S.C. Chapters 244, 246; § 24405 – Buy America (100% Domestic Content of items below) Buy America The Secretary of Transportation may obligate funds for a project only if the steel, iron, and manufactured goods used in the project are produced in the United States. Waivers The Secretary of Transportation may waive the requirement if the Secretary finds that: (1) It would be inconsistent with the public interest; (2) The steel, iron, and goods produced in the United States are not produced in a sufficient and reasonably available amount or are not of a satisfactory quality; (3) Rolling stock or power train equipment cannot be bought and delivered in the United States within a reasonable time; or (4) Including domestic material will increase the cost of the overall project by more than 25 percent. Other The requirements only apply to projects for which the costs exceed $100,000. Labor costs involved in final assembly are not included in calculating the cost of components. All waivers have to be posted in Federal Register. U.S. international obligations (World Trade Organization Government Procurement Agreement, U.S. Free Trade Agreements, U.S.-EC Exchange of Letters [May 15, 1995], and Canada-U.S. Agreement on Government Procurement) do not apply. National Railroad Passenger Corporation (AMTRAK) 49 U.S.C. § 24305 Domestic Buying Preferences Amtrak shall buy only: (A) unmanufactured articles, material, and supplies mined or produced in the United States; or (B) manufactured articles, material, and supplies manufactured in the United States substantially from articles, material, and supplies mined, produced, or manufactured in the United States. Waivers The Secretary may exempt Amtrak from this subsection if the Secretary decides that: (A) for particular articles, material, or supplies-(i) the requirements are inconsistent with the public interest; (ii) the cost of imposing those requirements is unreasonable; or (iii) the articles, material, or supplies, or the articles, material, or supplies from which they are manufactured, are not mined, produced, or manufactured in the United States in sufficient and reasonably available commercial quantities and are not of a satisfactory quality; or (B) rolling stock or power train equipment cannot be bought and delivered in the United States within a reasonable time. Other The requirements apply only when the cost of those articles, material, or supplies bought is at least $1 million. Federal Transit Administration (FTA) 49 U.S.C. § 5323(j); 49 C.F.R. Part 661 (Buy America Requirements); (See 60% Domestic Content for buses and other Rolling Stock) Buy America No funds may be obligated by FTA for a grantee project unless all iron, steel, and manufactured products used in the project are produced in the United States. Waivers The Administrator may waive the general requirements if the Administrator finds that: (1) It would be inconsistent with the public interest; (2) The materials for which a waiver is requested are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; (3) The inclusion of a domestic item or domestic material will increase the cost of the contract between the grantee and its supplier of that item or material by more than 25 percent. Rolling stock procurements (a) The Buy America prov isions do not apply to the procurement of buses and other rolling stock (including train control, communication, and traction power equipment), if the cost of components produced in the United States is more than 60 percent of the cost of all components and final assembly takes place in the United States. Other Labor costs involved in final assembly are not included in calculating the cost of components. Post only “public interest” waivers in Federal Register. U.S. international obligations (World Trade Organization Government Procurement Agreement, U.S. Free Trade Agreements, U.S.-EC Exchange of Letters [May 15, 1995], and Canada-U.S. Agreement on Government Procurement) do not apply.

### Link – will include

#### Department of transportation will seek to include Buy American provisions

Ray LaHood (Department of Transportation) May 2012 http://www.dot.gov/buyamerica/index.html

Welcome to the U.S. Department of Transportation’s Buy America webpage. The Department of Transportation is committed to maximizing the economic benefits of the Obama Administration’s historic infrastructure investments through Buy America provisions that keep American companies healthy and families working. Buy America provisions ensure that transportation infrastructure projects are built with American-made products. That means that Department of Transportation investments are able to support an entire supply chain of American companies and their employees. In the past, however, it has been difficult for companies to locate Buy America waiver requests posted only to the Federal Register. Now, we are improving access to business opportunities by posting all waiver requests on this page – in one central location – so that any American company can easily see if they can fill a particular need. The website also houses comprehensive information about each of our agencies’ Buy America provisions, requirements and waiver processes. And companies can subscribe to receive alerts when new information on Buy America for U.S. Department of Transportation-funded infrastructure projects is posted. Together, I believe we can make sure American businesses reap the full benefits of the Obama Administration’s investments in transportation infrastructure. Thanks for visiting.

#### Bipartisanship support for Buy American language in transportation infrastructure projects

AAM (Alliance for American Manufacturing) 4/18/2012 “Capitol Hill Update: Transportation Bill and Buy America”, http://www.americanmanufacturing.org/blog/capitol-hill-update-transportation-bill-and-buy-america

As Congress works to reauthorize our surface transportation laws, every effort should be made to create jobs here in America. Supporting and strengthening Buy America preferences is the best way to ensure that domestic manufacturing companies and American workers benefit when hard-earned tax dollars are being spent on the nation’s infrastructure needs. Buy America Improvements. H.R. 3533, the Invest in American Jobs Act, sponsored by Reps. Nick Rahall (WV) and Steven LaTourette seeks to strengthen our existing Buy America preferences, expand application to projects not currently covered, and require federal agencies to be more transparent in reporting where taxpayer dollars are being spent. Elements of H.R. 3533 have already received strong support in both the House and Senate, but with a final bill still hanging in the balance securing inclusion of these improvements remains a top priority for American manufacturers and their workers: • House Action: During the House Transportation and Infrastructure markup of the highway bill, an amendment offered by Rep. Chip Cravaack (MN) was adopted that increases transparency of waivers of Buy America preferences before they are granted, requires annual reporting on the use of such waivers (including justification and monetary value), and closes a “segmentation” loophole that leaves the door open to evasion of Buy America by splitting a project into multiple pieces and applying federal dollars only to some. • Senate Action: During the Senate’s floor consideration of its two-year version of the highway bill, a similar amendment offered by Senators Sherrod Brown (OH) and Jeff Merkley (OR) was adopted by voice vote. Failed Effort to Undermine Buy America. Also, an effort to significantly weaken Buy America preferences for transportation projects was soundly rejected during the House Transportation and Infrastructure markup of the highway bill on 2/2/12. An amendment offered by Rep. Gary Miller (CA) sought to upend the long-standing requirement that all manufacturing processes for the iron, steel, and manufactured goods used in taxpayer-funded infrastructure projects occur in the United States. Under his plan, imported steel slab that is finished in the United States would be permitted in infrastructure projects. Making this change would encourage the outsourcing of major elements of the steelmaking supply chain that account for a majority of the capital investment and employment. The domestic steel industry was united in its opposition to this amendment, as were Democrats and Republicans on the committee. Next Steps. The House is now contemplating passage of a short-term extension of highway programs with some policy provisions as a means of moving a bill to a conference with the Senate – which has already passed a bill. This would be the 10th such extension since the last multi-year authorization bill expired in September of 2009. Regardless of how the process unfolds, it is important that the House maintain Rep. Cravaack’s language that was adopted during committee markup to improve existing Buy America preferences and that conferees tasked with writing a final bill maintain the Buy America improvements that, again, were also passed in the Senate. Any effort to undermine Buy America should be rejected, as it would be detrimental to the participation of American manufacturing companies and their workers in the rebuilding of America’s infrastructure.

### Internal – competitive markets

#### China expansion will be at the expense of the US

Alan H. Price, Esq. Timothy C. Brightbill, Esq. Christopher B. Weld, Esq. and Tessa V. Capeloto, Esq. October 2010 “THE REFORM MYTH:

HOW CHINA IS USING STATE POWER TO CREATE THE WORLD’S DOMINANT STEEL INDUSTRY”, http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ash

Two earlier reports, The China Syndrome: How Subsidies and Government

Pursuant to these industrial plans, the Chinese government has created the world’s largest steel industry. As the next step in its industrial strategy, China is now pursuing its “Going Abroad” strategy, deploying its massive “national champions” overseas to further the government’s objectives, which include exploiting natural resources and raw materials, obtaining technology and expertise, and increasing China’s economic and political influence on a global scale. In addition to raw materials, the Chinese government is beginning to deploy its state- owned national champions overseas to invest in downstream industries such as the steel industry. This report examines the potential dangers faced by the United States and other countries as a result of China’s Going Abroad strategy, including the market distortions and national security concerns resulting from the Chinese government’s intervention in private markets. Chinese investment pursuant to the Going Abroad strategy will force private U.S. steel companies to compete directly against government-owned and supported companies in the U.S. marketplace, creating significant imbalances that will further distort the steel market.

China’s expansion abroad, and the extent of its steel production growth, are not the result of free markets and comparative advantage. While the Chinese steel industry would be large absent government support, massive government intervention has played a substantial role in the industry’s growth. Indeed, China has reached its position through a combination of subsidies, mandates, and planned government intervention – at the expense of market-oriented producers around the globe, including those in the United States.

#### Market is zero sum – Chinese increases come at the expense of the US

Barry Solarz (Senior Vice President, Trade and Economic Policy, American Iron and Steel Institute) October 6 2010, Oral testimony before the World Trade Organization, http://www.steel.org/~/media/Files/AISI/Public%20Policy/Testimony/2010/Barry\_Solarz\_Oral\_Testimony\_Submitted\_to\_USTR\_for\_China\_WTO\_Commitments\_Hearing.ashx

China’s Massive Steel Industry Continues to Grow Nowhere is the impact of China’s increasingly restrictive trade regime as severe as in the steel industry. Chinese crude steel production soared from 222 million MT in 2003 to 568 million MT in 2009. During this same period, average annual crude steel production in the United States was less than 91 million MT. Over the last five years, China’s steel production has increased by a volume of almost four times the average total production of the U.S. industry. The Chinese government anticipates that China will produce up to 630 million MT of crude steel in 2010, a 10% increase from last year's figure, even though China is now facing a falling domestic demand growth rate for steel. Chinese Steel Continues to Injure the U.S. Steel Industry China, which must import huge amounts of iron ore, is not a low-cost steel producer. Its massive capacity buildup has been aided by government subsidies, and does not reflect market factors or comparative advantage. In the process of becoming the world’s largest producer and net steel exporter, surges of dumped and subsidized Chinese steel have caused injury to steel producers here and elsewhere. Indeed, the United States currently maintains AD orders on imports of four Chinese steel products, and we have both AD and CVD orders on imports of another eight. While these AD/CVD orders have helped, Chinese imports remain a significant problem for American steel producers.

### Internal – US market key

#### China is actively going abroad to sustain steel growth – US is a target market

Alan H. Price, Esq. Timothy C. Brightbill, Esq. Christopher B. Weld, Esq. and Tessa V. Capeloto, Esq. October 2010 “THE REFORM MYTH:

HOW CHINA IS USING STATE POWER TO CREATE THE WORLD’S DOMINANT STEEL INDUSTRY”, http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ash

The next step in China’s government-directed industrial strategy is expansion abroad – a strategy which the government is now actively implementing. First announced by the government in 1999, China’s Going Abroad89 strategy is a government-mandated policy intended to strengthen the presence of Chinese companies abroad. Specifically, the Going Abroad strategy directs Chinese enterprises, particularly large SOEs, to invest abroad and establish “greenfield” operations overseas. In essence, after creating, developing, and nurturing massive “national champions,” the Chinese government is now strategically deploying these entities overseas to execute the government’s agenda: to acquire natural resources and raw materials, obtain technology and expertise, gain entry into new markets, and increase China’s economic and political influence on a global scale. A. China’s Going Abroad Policy Framework China’s Going Abroad policy is mandated by government industrial policies at both the central and provincial levels – again, in violation of China’s WTO commitments to refrain from influencing the decisions of its SOEs and to permit SOEs to operate based solely on commercial considerations. Many of these policies identify which entities are to go abroad, and call for government subsidies and other support to enable these entities to do so. The most recent policies require that the implementation of the Going Abroad strategy be accelerated. Indeed, as Chinese Premier Wen Jiabo announced last year, China intends to “hasten the implementation of [the] ‘going out’ strategy.”90 1. 2009 Steel Adjustment and Revitalization Plan The 2009 Revitalization Plan mandates that Chinese steel producers invest abroad. Indeed, one of the “Basic Principles” set forth in the Revitalization Plan is to “grasp the opportunities to implement the strategy of ‘Going out to the Outside World.’”91 In accordance with this principle, the Revitalization Plan provides for extensive financial and other government support for Chinese steel enterprises to “go to the outside world” for “exploration, development, technical cooperation, and mergers and acquisitions” abroad. For example, the plan: • encourages Chinese steel enterprises “to make exclusive investments or set up joint ventures abroad”92 and encourages “qualified backbone enterprises . . . to carry out resource exploration, development, technical cooperation and mergers and acquisitions...overseas;”93 • calls for the simplification of policies and procedures to facilitate going abroad. Specifically, the Revitalization Plan states that the “procedures for examination and approval of projects shall be further simplified” and that the “policies and measures for credit, foreign exchange, finance and taxation, and entry and exit of personnel” shall be improved;94 and • dictates that “the operating management for overseas assets should be further enhanced, so as to avoid asset risk from abroad,” the “size of export credit for metallurgical equipment shall be enlarged to drive the export of equipment and materials,” and the “export credit insurance policy shall be improved to support steel enterprises to set up overseas marketing networks and stabilize the export of high end products.”95 To achieve these objectives, the Revitalization Plan mandates financial assistance for China’s “backbone steel enterprises” (i.e., China’s large SOEs) to go abroad.96 The plan states that “projects which...go to the outside world and make technological progress” shall be supported through the government’s issuance of “stocks, corporate bonds, middle-term bills, short term financing and bank loans” and the absorption of privately collected equity.97 Further, “loan discounts shall be available.”98 In addition, the Revitalization Plan emphasizes the need to “take full advantage of the special funds fro economic and technical cooperation and overseas mineral resources exploration, so as to support enterprises to implement the strategy of ‘going to the outside world.’”99 2. June 2010 State Council Policy The June 2010 State Council Policy calls for the promotion of the Going Abroad strategy through a wide-range of government measures.100 These measures include supporting the use of “two markets” by Chinese steel enterprises, creating large backbone enterprises capable of competing abroad, increasing investments abroad, and deepening economic and technological cooperation overseas. Specifically, the State Council Policy mandates government support for accelerating the Going Abroad strategy, including for “strengthening overseas investment and transnational operations,” “construct[ing] iron and steel factories and industrial parks abroad,” and “improv[ing] the level of iron and steel enterprises’ international management.”101 To ensure a steady supply of iron ore for domestic steel production, moreover, the State Council Policy also encourages steel enterprises to develop iron ore exploration and exploitation abroad, and to consider the construction of mining fields, roads, ports, power supplies, and water supply facilities. 3. Five-Year Plans Central Government Five-Year Plans: The mandate to “go abroad” is also a central focus of China’s recent five-year plans. The 10th Five-Year Plan for National Economic and Social Development, covering the period 2000-2005, called for the development of the Going Abroad strategy as well as for measures to promote overseas investment and encourage the exploration of resources abroad. The 11th Five-Year Plan, covering the 2006-2010 period, calls for an acceleration of the Going Abroad strategy. The plan calls for the “nurture” and “support” of the overseas business operations of China’s capable enterprises, including their direct investment in foreign countries.102 It provides for “enterprises to develop overseas” through “transnational mergers and acquisitions,” enhancing “cooperation in exploring and exploiting overseas resources,” and “encourag[ing] enterprises to participate in the construction of overseas infrastructure.”103 The plan also calls for the implementation of mechanisms to promote overseas investments and to “monitor[] overseas state-owned assets.”104 Provincial Government Five-Year Plans: China’s provincial governments have also called for the acceleration of the Going Abroad strategy through their five-year plans, and for the provision of financial assistance to enable SOEs and other large steel enterprises to go abroad. For example:m overseas mineral resources investment, foreign A primary focus of Hubei Province’s 11th Five-Year Plan is “[a]ccelerating” the implementation of the Going Abroad strategy.105 The Hubei government’s plan calls for Chinese enterprises to invest, build factories, and exploit resources overseas as well as improve the quality and benefits of external trade. • The 11th Five-Year Plan for Jiangsu Province also specifically calls for the “accelerat[ion] of the Going Abroad strategy.106 The plan encourages capable industries to invest abroad, establish overseas production facilities, and target surrounding and developing countries. • Liaoning Province’s 11th Five-Year Plan states that the “quality and level of ‘opening to the outside world’ must improve.”107 The plan reinforces the importance of perfecting policy and service systems for overseas investment. It also encourages capable enterprises to invest and build factories abroad, establish corporate branches overseas, and conduct company mergers and consolidations. • Shanghai City’s 11th Five-Year Plan calls for “reinforce[ment]” of the Going Abroad strategy.108 The plan directs capable enterprises with comparative advantages to invest abroad in the exploration and exploitation of natural resources and energy; merge with and acquire foreign enterprises that have advanced technologies, brands, and sales networks; undertake overseas projects and export labor; and accelerate the cultivation of China’s transnational corporations. In addition to calling for the aggressive implementation of the Going Abroad strategy, certain provincial five-year plans also specify the foreign countries that Chinese enterprises should target in their overseas investments. For example, Shandong Province’s 11th Five-Year Plan states that enterprises must “vigorously” implement the Going Abroad strategy109 and further encourages “[l]argely expand[ing] ... in developing countries in Africa, Latin America, Middle East, South Asia, and Eastern Europe.”110 The plan also encourages enterprises to “strive to have major break-throughs in market expansion in developed countries in Europe and the U.S.” 111

### Internal – steel key china economy

#### Steel is a major contributor to growth

James Trench (Ph.D from Murdoch University, MSc, Grad Dip, BSc Hons) 2004 ”Role of the Chinese Steel Industry in the Economic and Development of China and Australia’s Contribution to the Industry as a Supplier of Raw Materials,” Supervised by Dora Marinova, Associate Professor and Head of the Institute for Sustainability and Technology Policy at Murdoch University, Murdoch University, http://researchrepository.murdoch.edu.au/367/1/01Front.pdf)

After quantifying the global iron and steel industry it could be seen that the industry has been and still is a major contributor to a country’s economic wellbeing. It therefore, is no surprise that Chinese leaders were found to be very keen to possess such an industry. The research on historical cultural characteristics relating to the development of a strong iron and steel industry showed that Mao Zedong had a sound vision. He and other leaders understood that a robust domestic iron and steel industry would facilitate the nation’s development. This research confirms that strong leadership together with centralized planning pulled the nation together. It has shown that a relationship exists between China’s steel industry and the country’s economic performance. Many mistakes were made in satisfying the vision of an economically strong China. Centralised control on its own was not enough, social and market reforms moved the country to being market based and attracted foreign investment which facilitated increased fixed asset investments with resulting increases in productive capacity and infrastructure. The country’s increased productive capacity provided people with higher incomes. This created and drove domestic consumption; the resulting demand being satisfied by the nation’s domestic output.

#### Steel is critical industry

SSINA (Specialty Steel industry of North America - voluntary trade association representing virtually all the producers of specialty steel in North America) October 2008 “China’s Specialty Steel Subsidies: Massive, Pervasive, and Illegal, http://www.ssina.com/news/releases/pdf\_releases/20081014\_report.pdf

THE CHINESE GOVERNMENT CONSIDERS DOWNSTREAM INDUSTRIES IN CHINA’S SPECIALTY STEEL SECTOR TO BE “PILLAR” INDUSTRIES THAT ARE “THE LIFE-BLOOD OF THE NATIONAL ECONOMY” While China has taken deliberate steps since the late 1970s to reform China’s economy, such as allowing certain foreign investment into the country and allowing SOEs a small degree of autonomy, a fundamental element in China’s drive to become a leading international economic power has been the Chinese government’s extensive industrial policies that direct and manage the country’s economic and industrial development by defining which industries, enterprises, and products should be targeted for preferential support and controlled by the government.9 The overarching objective of China’s industrial policies has been to foster the growth of certain industrial sectors that the Chinese government considers are essential to the country’s overall economic prosperity and social stability, while maintaining control of those sectors by encouraging the expansion of SOEs in the industries and protecting them from foreign competition.

#### Steel key to fuel china’s growth

SMM (Shanghai Metals Market -leading metals information provider in China) September 2011 “China Steel Industry Supply & Demand Forecast, 2012-2016,” Shanghai Metals Market, http://file.smm.cn/Upload/en/2011-09/publication/files/SE\_China%20Steel%20Industry%20Supply%20&%20Demand%20Forecast,%202012-2016.pdf)

Background Steel industry is a pillar industry of national economy, and it is also a major upstream industry for construction, machinery, automobile, home appliance, shipbuilding, hardware and transportation industries, affecting all aspects of the national economy. At present, China is at rapid economic development stage, and steel capacity and output have been expanding constantly. It was reported that China’s output of crude steel surged from 221 million mt in 2003 to 619 million mt in 2010. Some new capacities at steel mills are gradually coming online in 2011, while elimination of inefficient capacity is difficult. Generally speaking, capacity utilization rate of crude steel capacity remained at relatively high level in 1H 2011, and it is expected that output of crude steel will also remain at high level throughout 2011. Meanwhile, construction of affordable housing also increased demand for steel. However, a series of tight monetary policies adopted by China’s central bank dampened operating rates at some steel downstream industries. What kind of change will take place in China steel industry supply and demand in 2011 and the entire 12th five-year plan period? Analysis and forecast of current and previous China steel supply and demand will be major reference and basis to understand, judge and forecast the development trend of China steel industry in the following few years.

# Impacts

### 2nc impact wall

#### Conflict will escalate to nuclear weapon use – CCP willingness to sacrifice civilians ensures nuclear escalation

Gary Feuerberg ‘5, Epoch Times Washington DC Staff, “Leading Chinese Dissident Warns: China Planning Nuclear War,” The Epoch Times, Sept 11, http://en.epochtimes.com/news/5-9-11/32195.html

One of China’s most famous democracy advocates says that America has not paid enough attention to the threat of nuclear war with China. Wei Jingsheng, who spent 18 years in confinement in China, spoke at a forum on Chinese leader Hu Jintao at the National Press Club, sketching a disturbing picture of a powerful nation on the march to war. The forum consisted of China expert panelists giving their various perspectives on the underlying meaning behind the visit of Chinese leader Hu Jintao, who has been in power for the last two years. Wei stated that China needs the distraction of a war with Taiwan to turn attention away from the Chinese people’s frustration with rampant corruption and failed policies at home. Wei also stated that a number of factors allow them to consider traditional warfare against Taiwan and even nuclear warfare against the U.S. First, Russia, who China has often seen as an enemy, has offered a tacit agreement to China’s military plan, said Wei. He pointed out that “China has signed a treaty with Russia that basically says if China invades Taiwan, Russia will not support the U.S.”, that meant that they would defend Taiwan if the island came under attack. China also teamed up with Russia recently for joint military exercises on the Shandong Peninsula, an area fairly close to Taiwan, indicating both China’s intentions and Russia’s acceptance of those intentions. Wei said that China had also been considering nuclear war against the U.S. as a way to defeat America in the war. The Chinese Communist Party (CCP) is considering nuclear war, Wei said, because it is not afraid to sacrifice China’s people. He took as an evidence Chinese general Zhu Chenghu’s recent public statement declaring that China would launch nuclear weapons against the U.S. if it attacked China and that “we … will prepare ourselves for the destruction of all the cities east of Xian,” which would include Beijing, Shanghai, and Canton. Although the general’s view was not publicly corroborated by other officials, Wei said, China’s government-run media enthusiastically circulated the statements. Wei also warned Americans not to underestimate the irrational behavior of the CCP leadership and that America’s best response to prevent a coming war is to begin taking it seriously.

#### CCP lash out means extinction

San Renxing August 5 2005 “The CCP’s Last-ditch Gamble: Biological and Nuclear War”, The Epoch Times http://en.epochtimes.com/news/5-8-5/30931.html

Since **the Party’s life is “above all else**,” it would not be surprising if the CCP resorts to the use of **biological, chemical, and nuclear weapons** in its attempt to extend its life. The CCP, which disregards human life, would not hesitate to kill two hundred million Americans, along with seven or eight hundred million Chinese, to achieve its ends. These speeches let the public see the CCP for what it really is. With evil filling its every cell the CCP intends to wage a war against humankind in its desperate attempt to cling to life. That is the main theme of the speeches.

#### Magnitude makes probability irrelevant

Bostrom 05 (Nick, professor of philosophy at Oxford, July, Transcribed from by Packer, 4:38-6:12 of the talk at <http://www.ted.com/index.php/talks/view/id/44>,

Now if we think about what just reducing the probability of human extinction by just one percentage point. Not very much. So that’s equivalent to 60 million lives saved, if we just count currently living people. The current generation. One percent of six billion people is equivalent to 60 million. So that’s a large number. If we were to take into account future generations that will never come into existence if we blow ourselves up then the figure becomes astronomical**.** If we could you know eventually colonize a chunk of the universe the virgo supercluster maybe it will take us a hundred million years to get there but if we go extinct we never will. Then even a one percentage point reduction in the extinction risk could be equivalent to this astronomical number 10 to the power of 32 so if you take into account future generations as much as our own every other moral imperative or philanthropic cause just becomes irrelevant. The only thing you should focus on would be to reduce existential risk, because even the tiniest decrease in existential risk would just overwhelm any other benefit you could hope to achieve. Even if you just look at the current people and ignore the potential that would be lost if we went extinct it should still be a high priority.

#### Breakdown of U.S.-Chinese relations ensures nuclear war throughout Asia

Conable and Lampton 93 (Barber B., President Emeritus – World Bank and David, President – National Committee, China: The Coming Power, Foreign Affairs, Dec/Jan, Lexis)

Regionally American interests are both numerous and important. The two most protracted, economically distracting and politically explosive American military commitments in the post-World War II era were Korea and Vietnam. In both cases China figured prominently. The lesson is that regional stability requires workable U.S.-China relations. Competition between Beijing and Washington takes the form of exploiting indigenous regional conflicts by both powers, resulting in local problems that expand to suck both countries into a self-defeating vortex. The most serious threats to American security and economic interests in Asia include **armed conflict with** **nuclear** **potential** between the two Koreas and between India and Pakistan; a deterioration of relations between Beijing and Taipei that could lead to economic or military conflict; a re-ignition of the Cambodian conflict; and a botched transition to Beijing's sovereignty in Hong Kong in 1997. **None of these problems can be handled effectively without substantial Sino-American cooperation**. Constructive relations with Beijing will not assure P.R.C. cooperation in all cases; **needlessly bad relations will** nearly **ensure conflict**. The Republic of Korea's formal diplomatic recognition of Beijing last August, at the expense of Taipei, is just one indication of the increasing importance the region attaches to building positive ties to the P.R.C.

#### Asia war causes extinction

Ogura and Oh 97 (Toshimaru and Ingyu, Teachers – Economics, Monthly Review, April)

North Korea, South Korea, and Japan have achieved quasi- or virtual nuclear armament. Although these countries do not produce or possess actual bombs, they possess sufficient technological know-how to possess one or several nuclear arsenals. Thus, virtual armament creates a new nightmare in this region - **nuclear annihilation**. Given the concentration of economic affluence and military power in this region and its growing importance to the world system, any hot conflict among these countries would threaten to **escalate into a global conflagration**.

### Impact – CCP collapse – Taiwan war

#### CCP credibility prevents Taiwan lashout

Esteban ’05 (Mario, University of Madrid, Center of East Asian Studies Fellow, “Will Political Liberalisation of Mainland China Reduce the Risk of Military Conflict in the Taiwan Strait?””, Working Paper, Online)

Even more revealing are some surveys conducted by different institutions on mainland China in the last decade, revealing a massive popular support for a firm Taiwan policy (Chen, Scheb y Zhong, 1997: 479; Lam, 1996: 116). The most recent accessible data have been collected by the Social Survey Institute of China and shows a fluctuating percentage of people willing to immediately retake control of Taiwan by force between 43 percent and 29 percent6. In addition, those who support military action against the island's separatist forces should they seek independence in any form are consistently above the 80 percent and generally around the 95 percent' After looking at the army and popular attitudes towards the Taiwan conflict, it can be argued that the present civil leadership of the PRC performs as a dyke containing the more belligerent attitudes of both groups on this issue. The most recent example of this behaviour has been the role of the new top CCP leadership fending off lower-level demands for a unification law, with a timeline attached, instead of the relatively flexible law that has been passed (Christensen, 2005: 10). In relation to this point is also important to note that before passing the Anti-Secession Law Beijing sent State Council Taiwan Affairs Office Director Chen Yunlin to Washington to consult in advance with the United States on the meaning of this law.

#### That outweighs –

#### A – Faster and more likely – recent Chinese strategy shift

AFP, ‘10 – Feb 21, <http://www.rumormillnews.com/cgi-bin/archive.cgi?noframes;read=1721>)

BERLIN -- China is ready to engage in war and even nuclear conflict with the United States should fighting break out over Taiwan, Der Spiegel magazine reports on the basis of a supposedly-secret Chinese file. "Document No. 65", allegedly produced by the military sub-committee of the Chinese Community Party's central committee, discussed the possible course of a war over the disputed island claimed by China. "We would have to make a military intervention as early as possible, before the American troops are fully operational," according to the document cited by the German magazine. Faced with US bombardment of key sites and military installations, the document stressed that China has roughly the same level of conventional forces and would benefit from a fight close to its own territory. While arguing that the US would have little interest in starting a nuclear war over the island, the file said that Beijing would be ready to turn to its nuclear arsenal should circumstances demand. "We are ready to defend every square centimetre of our country," said the document. Dated August last year, the analysis would appear to have been drafted during a low point in relations between Beijing and Taipei caused by Taiwanese President Lee Teng-hui's insistence that his country should enjoy "state-to-state" ties with China. China considers Taiwan a breakaway province and has repeatedly warned that it would use force if necessary to ensure its return to the mainland. -- AFP

#### B – Scope and size – effects would be global and produce WWIII

Hunkovic, ‘8 (Lee, American Military University, <http://www.lamp-method.org/eCommons/Hunkovic.pdf>)

A war between China, Taiwan and the United States has the potential to escalate into a nuclear conflict and a third world war, therefore, many countries other than the primary actors could be affected by such a conflict, including Japan, both Koreas, Russia, Australia, India and Great Britain, if they were drawn into the war, as well as all other countries in the world that participate in the global economy, in which the United States and China are the two most dominant members. If China were able to successfully annex Taiwan, the possibility exists that they could then plan to attack Japan and begin a policy of aggressive expansionism in East and Southeast Asia, as well as the Pacific and even into India, which could in turn create an international standoff and deployment of military forces to contain the threat. In any case, if China and the United States engage in a full-scale conflict, there are few countries in the world that will not be economically and/or militarily affected by it. However, China, Taiwan and United States are the primary actors in this scenario, whose actions will determine its eventual outcome, therefore, other countries will not be considered in this study.

#### US-China war over Taiwan is the most likely scenario for great power nuclear war

Monte R. Bullard, ‘4. Senior Fellow @ Center for Nonproliferation Studies, Monterey Institute of International Studies. “Strait Talk : Avoiding a Nuclear War between the United States and China over Taiwan,” Online Book, December, <http://cns.miis.edu/straittalk/index.htm>.

War between the United States and China is unthinkable, but not totally impossible. The above scenario, described in more detail in Chapter Four, is conceivable. It is one of the most likely situations in the world that could bring two mature nuclear powers into direct conflict and cause both sides to contemplate the use or threat of use of nuclear weapons. The principal effort that has to be undertaken to prevent war between the United States and China is to prevent armed conflict between China and Taiwan. The best policies for preventing armed conflict between China and Taiwan are to reduce the rhetoric and to not increase the arms to establish a deterrence environment. The best policies by all three actors (the US, China and Taiwan) are broad and patient policies that go beyond the military realm and include a more comprehensive and coordinated military, political and economic approach. The title of this book is a bit misleading because it does not focus on the traditional topics of nonproliferation. Instead of focusing on arms control and disarmament subjects like export controls, agreements, treaties and regimes it examines factors that trigger the decisions to enter a conflict that could escalate into nuclear confrontation. The central point is that the fundamental causes of conflict, not just the various means of controlling nuclear arms, must be considered. It is a slightly different approach to the issue of nonproliferation. It goes to the causes of proliferation rather than the processes of arms control.

### Impact - CCP collapse – war

#### CCP collapse causes major war

Thomas Kane (PhD in Security Studies from the University of Hull & Lawrence Serewic) Autumn www.carlisle.army.mil/usawc/Parameters/01autumn/Kane.htm

Despite China's problems with its food supply, the Chinese do not appear to be in danger of widespread starvation. Nevertheless, one cannot rule out the prospect entirely, especially if the earth's climate actually is getting warmer. The consequences of general famine in a country with over a billion people clearly would be catastrophic. The effects of oil shortages and industrial stagnation would be less lurid, but economic collapse would endanger China's political stability whether that collapse came with a bang or a whimper. PRC society has become dangerously fractured. As the coastal cities grow richer and more cosmopolitan while the rural inland provinces grow poorer, the political interests of the two regions become ever less compatible. Increasing the prospects for division yet further, Deng Xiaoping's administrative reforms have strengthened regional potentates at the expense of central authority. As Kent Calder observes, In part, this change [erosion of power at the center] is a conscious devolution, initiated by Deng Xiaoping in 1991 to outflank conservative opponents of economic reforms in Beijing nomenclature. But devolution has fed on itself, spurred by the natural desire of local authorities in the affluent and increasingly powerful coastal provinces to appropriate more and more of the fruits of growth to themselves alone. [49] Other social and economic developments deepen the rifts in Chinese society. The one-child policy, for instance, is disrupting traditional family life, with unknowable consequences for Chinese mores and social cohesion. [50] As families resort to abortion or infanticide to ensure that their one child is a son, the population may come to include an unprecedented preponderance of young, single men. If common gender prejudices have any basis in fact, these males are unlikely to be a source of social stability. Under these circumstances, China is vulnerable to unrest of many kinds. Unemploymentor severe hardship, not to mention actual starvation, could easily trigger popular uprisings. Provincial leaders might be tempted to secede, perhaps openly or perhaps by quietly ceasing to obey Beijing's directives. China's leaders, in turn, might adopt drastic measures to forestall such developments**.** If faced with internal strife, supporters of China's existing regime may return to a more overt form of communist dictatorship.The PRC has, after all, oscillated between experimentation and orthodoxy continually throughout its existence. Spectacular examples include Mao's Hundred Flowers campaign and the return to conventional Marxism- Leninism after the leftist experiments of the Cultural Revolution, but the process continued throughout the 1980s, when the Chinese referred to it as the "fang-shou cycle." (Fang means to loosen one's grip; shou means to tighten it.) [51] If order broke down, the Chinese would not be the only people to suffer. Civil unrest in the PRC would disrupt trade relationships, send refugees flowing across borders, and force outside powers to consider intervention. If different countries chose to intervene on different sides, China's struggle could lead to major war. In a less apocalyptic but still grim scenario, China's government might try to ward off its demise by attacking adjacent countries

**Fragmented CCP leads to regional instability and nuclear war**

Herbert Yee (Professor of Politics and International Relations at the Hong Kong Baptist University) and Ian Storey (Lecturer in Defence Studies at Deakin University) **2002** The China Threat: Perceptions, Myths and Reality pg 5

The fourth factor contributing to the perception of a China threat is the fear of political and economic collapse in the PRC, resulting in territorial fragmentation, civil war and waves of refugees pouring into neighbouring countries. Naturally, any or all of these scenarios would have a profoundly negative impact on regional stability. Today the Chinese leadership faces a raft of internal problems, including the increasing political demands of its citizens, a growing population, a shortage of natural resources and a deterioration in the natural environment caused by rapid industrialisation and pollution. These problems are putting a strain on the central government's ability to govern effectively. Political disintegration or a Chinese civil war might result in millions of Chinese refugees seeking asylum in neighbouring countries. Such an unprecedented exodus of refugees from a collapsed PRC would no doubt put a severe strain on the limited resources of China's neighbours. A fragmented China could also result in another nightmare scenario-nuclear weapons falling into the hands of irresponsible local provincial leaders or warlords. 12 From this perspective, a disintegrating China would also pose a threat to its neighbours and the world.

**Chinese fragmentation causes nuclear war throughout Asia**

Economist March 18 1995“A long, hard road”

Fragmentationalong military lines might produce responsible generals in some areas and warlords in others. The weapons factories and nuclear arsenals deep in the western provinces would be disputed prizes**.** Any sort of break-up would increase the chances of local conflicts along volatile borders**,** particularly in places with rich energy reserves -- for example, off the South China coast, where China is one of six countries claiming ownership of the Spratly Islands and the oil-fields that may surround them; in the north-east, where China's main onshore oil fields are located and where Russia is at its most unruly; and the Tarim basin of Xinjiang, which has a Muslim minority and Muslim neighbours.

### Impact - CCP collapse - Taiwan links

**Social unrest leads to Chinese attack on Taiwan and Japan**

Susan Shirk (served as Deputy Assistant Secretary of State for relations with China from 1997 to 2000) **2007** “An Interview with IGCC Director Susan Shirk”, <http://igcc.ucsd.edu/publications/books/shirkinterview.php>

BJ: From the general public's perspective China looks like an economic powerhouse**.** Yet in your book you argue that from the inside China is actually a weak country. How can these two opposite perceptions be reconciled? Shirk: China has lots of economic and political internal problems. It has growing inequality. It has frequent protests in the countryside, and the cities, over a whole range of issues and the political system doesn't have a way for these grievances to be channeled. It has massive environmental problems. The public health system and the educational system are greatly underfunded. To the extent that these problems translate into social unrest they become political problems, raising questions of poor leadership**.** The leaders' domestic predicament could drive them into risk taking vis-à-vis the issues of Taiwan and Japan.

**China will distract from the unrest by attacking Taiwan**

Michael Szonyi (professor of History at the University of Toronto and a recognized international authority on Asia) November 29 2000 “Commentary No. 79: Canadian Security Intelligence Service Publication”, <http://www.csis.gc.ca/pblctns/cmmntr/cm79-eng.asp>

Third, despite their size and intensity, the demonstrations are narrowly focused on specific economic grievances, and there is no coordination or organization linking separate protests. Thus, popular expressions of dissatisfaction will probably not become regime-threatening in the period 2001-2006. They would become much more worrying if their demands broadened to include political change, if a coordinating organization emerged, or if they become serious enough that the leadership feels compelled to distract popular feeling by manipulating nationalism, perhaps through aggressive action against Taiwan, discussed below.

# Impacts – China economy good

### China key – US

#### China’s economy is key to the US economy

Van Beeck, 10 – senior industry analyst at IBISWorld (Toon, September 2010, “The Implications of a China Slowdown,” IBISWorld, http://www.ibisworld.com/Common/MediaCenter/China%20Slowdown.pdf

There is a lot of talk surrounding a double-dip recession. Having recently come out of the worst economic crisis in decades, the scars have not yet fully healed and it is natural for consumers and businesses to remain cautious in these very uncertain times. Market volatility has returned and economic concerns are arising from all parts of the globe. European sovereign debt issues could push the globe back into a fiscal crisis if contagion spreads. Meanwhile, the United States is experiencing a downward slide in GDP growth; it reached a high of 5.0% in the fourth quarter of 2009, only to fall to 1.6% in the second quarter of 2010. And now, a third sizeable economic concern has emerged: China’s economy is showing signs of slowing. As long as these fears remain, the global appetite for riskier assets will remain volatile. Consumers and institutions will move to safer investments, in fear of a second global financial crisis, and then back to those riskier assets as news subsides. China was instrumental in pulling the global economy out of the most recent recession. China’s GDP growth climbed from a low of 6.2% in the first quarter of 2009 to a peak of 11.9% only a year later. Confidence grew across countries, retailers re-stocked their shelves, manufacturing improved, mounting unemployment levels seemed a thing of the past, and consumers looked to spend again. However, this massive turnaround strangely prompted concerns that the Chinese economy was overheating. Phenomenal growth is not uncommon in China; average quarterly expansion over the past 20 years has been about 9.5%. Nevertheless, the prevailing conception is that China is shifting from an overheating economy to one that is cooling. This slowing, though, is all part of the plan. The Chinese government intentionally implemented measures to cool the economy with the aim of slowing 2010 growth to 8.0%. IBISWorld research suggests that China is taking a step in the right direction. The country is actively pursuing quality growth over quantity growth, which will ease its reliance on exports and investments as it makes the shift to a consumption-based economy. The result should be further improvements in technology and operational efficiency in what has now overtaken Japan to become the world’s second largest economy. We are likely to observe a continued deterioration in China’s growth rate over the latter half of 2010. Given China’s reputation as a global growth engine with a history of strong expansion, it is inevitable that uncertainty and fear will be the by-product of this slowdown, but don’t be too alarmed. The coming quarterly growth-rate shrinkages should be expected, but not feared. That said, there is some risk tied to China’s efforts to slow its economy: it could result in a sharper-than anticipated slowdown. Monetary and fiscal policy measures to curb lending on homebuyers and local governments, combined with a pull-back on stimulus efforts, will likely produce some uncertain results in the next six-to twelve months. June and July were poor months in terms of key economic data for China. Figures clearly indicated that the economy was cooling – fast. Chinese imports showed a sharp and unexpected decline, which increased fears that the domestic market was weakening more than expected. Furthermore, as most major Western economies have restocked their shelves since the global recession, there is likely to be reduced demand for Chinese goods. As a result, industrial production output grew by only 13.7% between June 2009 and 2010 – markets had expected 15.4%. In the year to July, output continued to slow, growing by only 13.4%. Interestingly, figures coming out of China for August showed great improvement. Chinese imports smashed analysts’ estimates as did industrial production, which exceeded the expected growth to reach 13.9%. What we can infer here is that China is not immune to the volatility that is going on globally. This is an uncertain time for all markets and China is no exception. Regardless of the month-to-month volatility in economic indicators, however, the Chinese government continues to push a slowdown, and it is clear that it will have an impact on hundreds of industries across the United States, particularly those reliant on exports to China. Top 10 export-affected industries The United States exported close to $70 billion worth of goods to China in 2009. With global economies in far better shape now than they were in 2009, it is likely that this figure will be superseded in 2010. However, as noted, a slowing Chinese economy will undoubtedly impact multiple industries within the United States that rely on China to purchase their goods. The table on the next page shows the top 10 US export industries to China, based on IBISWorld analysis. Last year, the top US export to China was soybeans. In 2009, soybean farming was a $32.3 billion industry, and total exports across the globe came in at $16.8 billion. The demand from China alone was $9.2 billion, close to 30% of total industry revenue. Soybeans are a vital ingredient in livestock feeds and vegetable oils and it is the world’s most important source of protein food, so demand from China is expected to remain high despite the apparent slowdown. Consequently, major companies that operate in this space, such as Monsanto and E.I. du Pont de Nemours, should continue to experience positive demand. It is no surprise that semiconductors and other electronic components comes in at number two on the list of top US exports to China. Major products include printed circuits, integrated microcircuits and other semiconductor devices used in communication equipment, computer and computer equipment, consumer goods, industrial equipment, and the automotive sector. China plays a key role in all of these sectors. In the six months to June, demand from China increased a substantial 56.4% compared to the same time in 2009. However, IBISWorld expects this growth to moderate, so companies like Intel Corporation, Texas Instruments, Flextronics International and Tyco Electronics may need to pull back some expected earnings from this industry as the Chinese slowdown curbs some of this strong growth. As the Chinese government seeks quality growth over quantity growth, US manufacturing-based export industries that rely on the huge Asian economy to build sales are expected to be hit the hardest by the Chinese slowdown. These industries include resin and synthetic rubbers, measuring, testing and navigational instrument manufacturing, organic chemical manufacturing, and computer equipment among others. Even though there will be growth in 2010 – industries are still rebounding from very poor performances in 2008 and 2009 – expectations must be tempered. The Chinese slowdown will reduce demand for various imports, particularly in the second half of 2010, when there will be less need for inventory replenishment and manufacturing businesses will likely experience a pull-back in demand. China remains a very important market for industries that rely on exports, and so any slowdown in this major developing nation could be painful for those industries or businesses that over-rely on the country for sales**.**

#### China econ collapse derails US

Lee 10 - Director of Foreign Policy, Centre for Independent Studies, Visiting Fellow, Hudson Institute,

and author of “Will China Fail?” (John, “If the Chinese Bubble Bursts…”, The International Economy, Fall 2010, www.international-economy.com/TIE\_F10\_ChinaBubbleSymp.pdf

In China’s state-led political economy, the Chinese Communist Party and state-controlled entities are the primary dispensers of capital, land, and business opportunity. The CCP knows it will likely remain in power so long as it can continue to nurture the state- controlled sector; and by doing so, underwrite prosperity for the tens of millions of well-connected insiders who continue to benefit disproportionately from China’s rise. In the event of a Chinese asset bubble bursting (such as in the property market), the paramount objective will be regime preservation. The CCP will act quickly and decisively to restrict and then reverse the damage—to the short-term benefit of commodity- exporting countries like Australia and Brazil, but at greater long-term cost to countries like the United States looking to lower its reliance on exports from Asia. Indeed, if the onset of the global financial crisis in 2008 is any guide, we already know what Beijing will do in the event of a bursting of its bubble. First, it will immediately force its state banks to massively increase lending so that other state-controlled entities can buy any distressed assets and prop up asset prices as long as possible. Ignoring the build-up of hidden non-performing loans on the banks’ balance sheets, the CCP will order the huge state-controlled sector to continue investing and building within China—providing a temporary fillip for commodity exporters. Second, China will rely increasingly on offering even more advantages to the export manufacturing sector in the form of increased currency manipulation, subsidies, tax deductions, and other incentives. It cannot do otherwise, since some 250 million Chinese depend directly and indirectly on this sector for a job. Beijing cannot afford to have tens of millions of unemployed workers in once-thriving coastal provinces venting their anger against the regime. Paradoxically, China’s increased reliance on exports means that it will be an even more reliable buyer of American debt, since it will not convert its burgeoning surplus U.S. dollars back into yuan in order to maintain a weak currency. But more generally, the bursting of the Chinese asset bubble would seriously set back America’s plans to improve its domestic export manufacturing sectors and rebalance the global economy in the process.

### China key – global econ

#### Chinese economic slowdown causes global economic collapse

Thoreman, Chng, and Schwedel, ‘10. Michael Thorneman is a Bain & Co partner in Shanghai. Johnson Chng is a partner in Beijing. Andrew Schwedel is a partner in New York, “Uncertain times for business in China and world,” Shanghai Daily, http://www.shanghaidaily.com/article/?id=447053&type=Opinion#ixzz0xb9BTuPY

AS we finally emerge from the depths of the Great Recession, a lot of attention naturally focuses on trying to handicap the speed and strength of the coming rebound. Some forecast a quick snap-back driven by years of pent-up demand. Others see a slower, more grudging recovery defined by deep unemployment and persistent credit issues. For anyone running a business, however, the more important point is that no matter how fast the turnaround comes, success is unlikely to get easier. The plates have shifted beneath the global economy in ways that will increase competitive pressure and squeeze even the most recession-hardened business models. The winners coming out of this seismic event will likely be those agile enough to spot the fault lines quickly and adjust their strategies accordingly. China is a prime example. Businesses everywhere should closely track signs that the country's strong growth may be cooling. Weak growth in Europe, coupled with the continent's debt problems, uncertainty in the US, and the diminishing competitiveness of Chinese exports all are taking their toll. Any slowing of the Chinese economy would have worldwide implications.

#### Strong China key to the global economy

Duke ’10 [Simon, “As China's economy soars, a slowdown in Japan raises global fears”, Aug 16, http://www.dailymail.co.uk/money/article-1303645/As-Chinas-economy-soars-slowdown-Japan-raises-global-fears.html?ito=feeds-newsxml#ixzz0worDuUfB]

After growing by a huge 10.3 per cent, China’s economic output topped £870billion in the second quarter, compared with £825billion in Japan. Eswar Prasad, a former International Monetary Fund economist, said Japan’s demotion was ‘a marker of China’s increasingly dominant role in the global economy’. Last year China overtook the US as the biggest car market in the world and raced past Germany as the biggest exporting nation. Its economy is now an astonishing 90 times larger than in 1978 when leader Deng Xiaoping first opened it up to the free market. As the developed world remains in the mire, gravity-defying China is becoming increasingly integral to the prospects of a sustained recovery from the first global recession since World War II.

### Collapse sparks conflict

#### Chinese economic collapse causes ethnic tensions, democratic backsliding, and a cross-strait war

Lewis, 07 – Research Director of the Economic Research Council (Dan, April 19, 2007, “The nightmare of a Chinese economic collapse,” World Finance, http://www.economicpolicycentre.com/wp-content/uploads/2010/10/The-nightmare-of-a-Chinese-economic-collapse.pdf,

A reduction in demand for imported Chinese goods would quickly entail a decline in China’s economic growth rate. That is alarming. It has been calculated that to keep China’s society stable – ie to manage the transition from a rural to an urban society without devastating unemployment - the minimum growth rate is 7.2 percent. Anything less than that and unemployment will rise and the massive shift in population from the country to the cities becomes unsustainable. This is when real discontent with communist party rule becomes vocal and hard to ignore. It doesn’t end there. That will at best bring a global recession. The crucial point is that communist authoritarian states have at least had some success in keeping a lid on ethnic tensions – so far. But when multi-ethnic communist countries fall apart from economic stress and the implosion of central power, history suggests that they don’t become successful democracies overnight. Far from it. There’s a very real chance that China might go the way of Yugoslavia or the Soviet Union – chaos, civil unrest and internecine war. In the very worst case scenario, a Chinese government might seek to maintain national cohesion by going to war with Taiwan – whom America is pledged to defend.

# Aff

### Uniqueness

#### China steel industry collapsing – no infrastructure for global markets – all based on projects in china – NO RISK OF A LINK

New York Times May 3 2012 “In China's Floundering Steel Sector, the Burden of Politics”,

http://www.nytimes.com/2012/05/04/business/global/in-chinas-floundering-steel-sector-the-burden-of-politics.html?pagewanted=all

Chinese steel exports, a small fraction of total business in the country, have not recovered to pre-2008 levels, and the national steel association routinely points to an increase in international protectionism. Brazil, Europe and the United States, for example, have all added anti-dumping taxes on Chinese products. That being the case, the domestic market is expected to remain the primary focus of the industry. “China is still in the middle of a construction period, and demand for steel will at least remain strong,” said Henry Yu, the founder and chairman of General Steel. Mr. Yu said the company was particularly confident about demand from the country’s west, where road and factory construction are strong. Only one major Chinese enterprise — Bayi Iron and Steel, which is owned by Baosteel — covers Xinjiang, a large region in the far northwest of the country. Baosteel plans to move two advanced, but unprofitable, iron-making furnaces to Xinjiang and to double Bayi’s capacity to 15 million tons per year by 2015. Also in Xinjiang, Shandong Iron and Steel has nearly completed a 2.5 million-ton steel project, and Xinxing Ductile Iron Pipes will build a special steel plant with 3 million tons of annual capacity. The consulting firm Mysteel said that 91 billion renminbi would be spent in Xinjiang from 2011 to 2015 to raise annual steel capacity to 32 million tons but that demand from the western part of the country would not be able to prop up the sector for very long. “The supply tightness is expected to ease by 2013, and the region could also face a glut given the current investment frenzy,” said Hu Yanping, an analyst with the Custeel consulting firm. “It will also be hard to ship out the surplus steel products due to limited transportation capacity.” Despite recent losses in the steel industry, bankruptcies are not expected to be widespread, analysts say, as neither Beijing nor local governments are willing to risk such blows to their reputations, employment levels and tax receipts. Small, regional state-owned companies like Jiyuan Steel and Valin could be vulnerable to takeovers, but debt-ridden industry giants are not likely to volunteer for punishing restructuring programs. Anshan Steel’s protracted merger with Benxi Iron and Steel is still mired in bureaucracy five years after it was proposed. Specialists say that problems in the industry will not be solved until Beijing ends its desire to create state-owned Goliaths rather than address underlying political problems. Indeed, Chinese steel giants, which have benefited from cheap loans and easy access to lucrative contracts, have served the needs of local governments, hiring hundreds of thousands of workers and providing cradle-to-grave welfare services. Mr. Jiang of the Chinese Academy of Social Sciences said that mills could thrive if they were just allowed to do so. “The steel sector could develop very steadily as long as there is no great policy interference,” he said. “But there has been a lot of policy interference.”

#### China steel industry recording losses now

Steel Guru 6/22 “Chinese crude steel output in May up by 2pct YoY”, http://www.steelguru.com/chinese\_news/Chinese\_crude\_steel\_output\_in\_May\_up\_by\_2pct\_YoY/269845.html

In the month of May, China steel prices experienced drops, with the domestic composite steel price index falling 2.76 points from April to 118.76. The prices of 20 mm steel sheets and 1-mm cold-rolled coils were CNY 4,298 per tonne and CNY 5,105 per tonne down 3.6% and down 1.6%MoM or down 15.1% and 9.5% YoY, respectively.

### US steel – key economy

#### Strong steel industry key to the economy

Harley Shaiken (Prof of Global Economy, Cal-Berkeley) March 22 2002 Detroit News, http://www.detnews.com/2002/editorial/0203/25/a11-446451.htm]

But because an advanced industrial economy needs a vibrant steel industry, not just a source of steel products, the U.S. steel industry needs some temporary resuscitation and long-term structural support to survive. More than 30 firms have gone bankrupt since 1998 -- and far more would likely have fallen over the edge without President George W. Bush's recent modest measures. The hard lesson of this debacle might well have been that it's easier to see an industry like steel implode than to rebuild it when it's needed. Why does America need a steel industry? Steel executives want to keep their companies afloat and the steelworkers union wants to preserve members' jobs. But beyond their immediate concerns, an important, long-term public interest is involved. First, steel provides critical linkages throughout manufacturing. A healthy steel industry can spur innovations in downstream industries such as autos. These industries would enjoy earlier access to new processes and products. U.S. steel firms, for example, are spearheading an international consortium on advanced vehicle concepts. It doesn't help that three of the largest U.S. firms involved are in bankruptcy. Second, steel remains an important source of well-paid, middle-class jobs. While more than 70,000 jobs are threatened at bankrupt steel producers, an additional 250,000 jobs at suppliers and firms dependent on steelworker spending are impacted, according to Professor Robert Blecker at American University. A collapsing steel industry cuts a wide swath of destruction through communities. Finally, a domestic industry provides more stable sources of supply, which is pivotal in a national security crisis. Steel is genuinely a strategic industry unless we are thinking about aluminum aircraft carriers and mahogany tanks.

### US steel – key readiness

#### Steel industry key to military readiness and hegemony

AISI (American Iron and Steel Institute) July 1 2008 “U.S. steel industry critical to keeping us free” http://www.steel.org/AM/Template.cfm?Section=2008&TEMPLATE=/CM/HTMLDisplay.cfm&CONTENTID=24325

WASHINGTON, D.C. -- As we reflect on our country’s independence this Fourth of July, we should pause to recognize those who fought for our freedom more than 230 years ago. But we should also recognize those who continue to keep our country free today: the men and women in uniform who offer their noble service in order to preserve America’s national security. “Members of the United States Navy, Marine Corps, Army, Air Force and Coast Guard, both at home and overseas, risk their lives everyday to ensure that Americans continue to have the freedoms that our country is founded upon. It is their commitment to our country that has made America what it is today – a beacon for freedom and democracy, “Andrew G. Sharkey, III, president and CEO, American Iron and Steel Institute (AISI), said. “Our veterans represent the very best of America and the U.S. steel industry is continuously working to serve the military in their efforts to defend our nation.” Sharkey said domestically-produced steel is important to “improve our military platforms, strengthen the nation’s industrial base and harden our vital homeland security infrastructure.” Congressman Peter J. Visclosky (D-IN), Chairman of the Congressional Steel Caucus, has noted that “to ensure that our national defense needs will be met, it is crucial that we have a robust and vibrant domestic steel industry. It is poor policy to rely on foreign steel for our national security – instead, we need a long-term investment in domestically-produced, high-quality and reliable steel that will serve and strengthen our national security interests.” Protecting the nation’s vast infrastructure is essential to our homeland security. This became an issue in recent times when it was discovered that substandard steel imported from China was being used by the U.S. Department of Homeland Security to construct the border fence between the United States and Mexico. Members of the Congressional Steel Caucus, including Congressman Visclosky (D-IN), have worked to introduce legislation that will help strengthen the domestic steel industry in order to address issues of substandard steel imports. “AISI and its members greatly appreciate the Congressional Steel Caucus’ support for the steel industry and their vigilance on behalf of America’s national security,” Sharkey said. In addition, thousands of skilled men and women of the U.S. steel industry work to produce high quality, cost-competitive products that are used by the military in various applications ranging from aircraft carriers and nuclear submarines to Patriot and Stinger missiles, Sharkey said. Land based vehicles, such as the Bradley Fighting Vehicle, Abrams Tank and the family of Light Armored Vehicles, also utilize significant tonnage of steel plate per vehicle. The up-armored Humvee, in use by the U.S. Army, includes steel plating around the cab of the vehicle, offering improved protection against small arms fire and shrapnel. In fact, the steel plating underneath the cab is designed to survive up to eight pounds of explosives beneath the engine to four pounds in the cargo area. These critical applications require consistent, high quality domestic sources of supply. “We as a country need to make sure that our national defense needs will be met, making it critical for the United States to have a robust and vibrant domestic steel industry that will serve to strengthen our national security interests,” Sharkey noted. Historically, American-made steel and specialty metals have been integral components of U.S. military strength and they continue in this role today. The Department of Defense’s (DOD’s) primary use of steel in weapons systems is for shipbuilding, but steel is also an important component in ammunition, aircraft parts, and aircraft engines. DOD’s steel requirements are satisfied by both integrated steel mills and EAF producer mills. “With the desire never to be dependent on foreign nations for the steel used in military applications, it is critical that U.S. trade laws be defended, strengthened and enforced so that American-made steel can continue to play a vital role in our nation’s security,” Sharkey said. “On this Independence Day, let’s pledge to work to uphold that ideal.” AISI serves as the voice of the North American steel industry in the public policy arena and advances the case for steel in the marketplace as the preferred material of choice. AISI also plays a lead role in the development and application of new steels and steelmaking technology. AISI is comprised of 29 member companies, including integrated and electric furnace steelmakers, and 138 associate and affiliate members who are suppliers to or customers of the steel industry. AISI's member companies represent approximately 75 percent of both U.S. and North American steel capacity. For more information on safety tips for consumers, visit AISI’s Web site at www.steel.org.

#### Readiness prevents all global conflicts

Jack Spencer (MA from Limerick, Policy Analyst at Heritage Foundation) September 15 2000 “The Facts About Military Readiness” http://www.heritage.org/Research/MissileDefense/BG1394.cfm

The evidence indicates that the U.S. armed forces are not ready to support America's national security requirements. Moreover, regarding the broader capability to defeat groups of enemies, military readiness has been declining. The National Security Strategy, the U.S. official statement of national security objectives, 3 concludes that the United States "must have the capability to deter and, if deterrence fails, defeat large-scale, cross-border aggression in two distant theaters in overlapping time frames." 4 According to some of the military's highest-ranking officials, however, the United States cannot achieve this goal. Commandant of the Marine Corps General James Jones, former Chief of Naval Operations Admiral Jay Johnson, and Air Force Chief of Staff General Michael Ryan have all expressed serious concerns about their respective services' ability to carry out a two major theater war strategy. 5 Recently retired Generals Anthony Zinni of the U.S. Marine Corps and George Joulwan of the U.S. Army have even questioned America's ability to conduct one major theater war the size of the 1991 Gulf War. 6 Military readiness is vital because declines in America's military readiness signal to the rest of the world that the United States is not prepared to defend its interests. Therefore, potentially hostile nations will be more likely to lash out against American allies and interests, inevitably leading to U.S. involvement in combat. A high state of military readiness is more likely to deter potentially hostile nations from acting aggressively in regions of vital national interest, thereby preserving peace.

### US steel – key hegemony

#### Domestic steel key to hegemony and power projection

J Michael Waller (PhD at Institute for Study of Conflict, Ideology and Policy) 2001 Insight on the News, Lexis

That's also the argument of many U.S. steel producers, who find it unprofitable to upgrade their own blast furnaces but profitable to roll out finished products using imported semifinished steel. Those closest to the mining sector agree, but hope to persuade decisionmakers in Washington that they perform a unique national-security function. Part of that function is assured production of steel during protracted conflict. Another part concerns U.S. power projection. "It is a tenet of U.S. policy that the national, economic and military security of the United States depends on its position as a maritime power and the strength of its national maritime infrastructure," says George J. Ryan, president of the Lake Carriers Association, which represents 12 U.S. companies operating ships on the Great Lakes.

#### Domestic steel key to merchant marines

J Michael Waller (PhD at Institute for Study of Conflict, Ideology and Policy) 2001 Insight on the News, Lexis

Indeed, decisionmakers in Washington seem to have abdicated the country's maritime role completely. Apart from the shrinking Navy, the Pentagon has watched as the Merchant Marine -- the force of experienced civilian sailors called into active duty to man the Navy's cargo fleet during wartime -- dwindle almost beyond repair. The Navy needs more than 3,500 merchant sailors in wartime, but there simply aren't enough any more to operate military sealift while keeping the civilian shipping systems going. Vice President Dick Cheney learned a decade ago as secretary of defense during Operation Desert Shield how severely handicapped the Navy's sealift capacity had become with the erosion of the Merchant Marine. Many of the merchant sailors called up for the Persian Gulf War were in their 70s. The problem only has become worse in the decade since. As the Baltimore Sun recently discovered in a lengthy investigation, the fleet, with some 3,500 sailors, no longer is capable of servicing a modest conflict the size of the Persian Gulf War. New government regulations are causing the pool of qualified retirees to disappear and lose their certifications. That is, if the Pentagon can even find the sailors it needs during a crisis, since no database exists to locate qualified merchant seamen The shippers of the Great Lakes say that their endangered industry makes an important contribution to the active-duty pool of merchant sailors. They have benefited from the Jones Act, a law passed after World War I that requires ships transporting cargo and passengers between U.S. ports to be owned by U.S. citizens, built in U.S. shipyards and manned by U.S. citizen crews. "Without the critical mass represented by the domestic fleet, the United States would be unable to sustain the maritime infrastructure essential to national defense," says Ryan. "In a crisis, nearly 95 percent of arms and materiel is moved by ship. In the Bosnian conflict, 70 percent of the U.S. seafarers activated for military service had served on Jones Act vessels, including those operating on the Great Lakes. This is not surprising since 87 percent of all U.S.-flag shipboard-employment opportunities are in the Jones Act fleets." Kill the last U.S. iron mines on which Great Lakes shipping depends, advocates say, and the United States is killing off an important part of the Merchant Marine -- another point in favor of rescuing U.S. steel.

### China not key

#### China will never overtake the U.S. for economic dominance

**Weinberger ’10** (David-, Feb. 3, Heritage Foundry, “Why China is Not an Economic Threat to the United States”, [http://blog.heritage](http://blog.heritage/).org/2010/02/03/why-china-is-not-an-economic-threat-to-the-u-s/)

Aside from the fact that China’s GDP numbers are illusory (largely because of how the country calculates its GDP), a significant portion of the growth China is experiencing is not creating wealth, it is merely taking it from other countries. In other words, Chinese growth is partly the result of detraction from, not addition to, world GDP, which means much of its success is dependent upon others. This is because of the way China’s economy is set up. China relies on its trade surplus with the rest of the world as the lifeblood of its economy. It exports vastly more than it imports. Seen in this light, China sucks GDP from other countries in addition to creating its own. Therefore, while it may be leading the world in GDP growth, to a notable extent these GDP gains are the result of China using the world to boost itself higher. That does not mean, however, that China does not produce anything. To the contrary, over the last couple of decades, China has contributed to the world economy. While China’s production has historically met consumer demand to keep prices low around the globe, the world-wide recession is now causing China to oversupply due to weak global demand, which could lead to deflation. This is hardly an indication of a sound, robustly-growing economy. If China does not start developing more of its own domestic economy for its people, trouble looms. Further, China is not America’s banker, as many people believe. President Obama’s stimulus package was bad policy, but the notion that China is now funding our economy as a result is a fallacy. America could get by without China funding its debt. What’s largely unknown is that China officially holds less than 7 percent of U.S. treasuries, and that Chinese bond purchases declined in 2009, to under $100 billion, while our deficit soared to an all-time high of $1.4 trillion. Moreover, China does not buy our debt for our sake; it does so it because it depends on an economy as large and sound as ours for its own growth propelled through trade: The same set of rules that keep its currency undervalued means, by law, it can’t spend at home the huge pile of cash that it sits on. In that respect, China is more directly tied to us than we are to them. If the United States were to discontinue trade with China, it would hurt them more than us. Finally, China is not going to surpass the United States as the world economic leader any time soon. We control about a fourth of the wealth in the world – more than China, India, Japan and the rest of Asia combined. Other indicators are just as definitive. The average American earns close to fifteen times more than the average person in China. If the United States keeps tax rates low, shows spending discipline, and brings the deficit down to promote solid economic growth, there is strong reason to believe that China will never surpass the United States as the world’s largest economy.

### No US/China war

**No US-China war – economic and geopolitical constraints**

Joshua S. **Goldstein** (professor emeritus of international relations at American University) Sept/**October 2011** “Think Again: War”, Foreign Policy, http://www.foreignpolicy.com/articles/2011/08/15/think\_again\_war?page=full

"Wars Will Get Worse in the Future." Probably not. Anything is possible, of course: A full-blown war between India and Pakistan, for instance, could potentially kill millions of people. But so could an asteroid or -- perhaps the safest bet -- massive storms triggered by climate change. The big forces that push civilization in the direction of cataclysmic conflict, however, are mostly ebbing. Recent technological changes are making war less brutal, not more so. Armed drones now attack targets that in the past would have required an invasion with thousands of heavily armed troops, displacing huge numbers of civilians and destroying valuable property along the way. And improvements in battlefield medicine have made combat less lethal for participants. In the U.S. Army, the chances of dying from a combat injury fell from 30 percent in World War II to 10 percent in Iraq and Afghanistan -- though this also means the United States is now seeing a higher proportion of injured veterans who need continuing support and care. Nor do shifts in the global balance of power doom us to a future of perpetual war. While some political scientists argue that an increasingly multipolar world is an increasingly volatile one -- that peace is best assured by the predominance of a single hegemonic power, namely the United States -- recent geopolitical history suggests otherwise. Relative U.S. power and worldwide conflict have waned in tandem over the past decade. The exceptions to the trend, Iraq and Afghanistan, have been lopsided wars waged by the hegemon, not challenges by up-and-coming new powers. The best precedent for today's emerging world order may be the 19th-century Concert of Europe, a collaboration of great powers that largely maintained the peace for a century until its breakdown and the bloodbath of World War I. What about China, the most ballyhooed rising military threat of the current era? Beijing is indeed modernizing its armed forces, racking up double-digit rates of growth in military spending, now about $100 billion a year. That is second only to the United States, but it is a distant second: The Pentagon spends nearly $700 billion. Not only is China a very long way from being able to go toe-to-toe with the United States; it's not clear why it would want to. A military conflict (particularly with its biggest customer and debtor) would impede China's global trading posture and endanger its prosperity. Since Chairman Mao's death, China has been hands down the most peaceful great power of its time. For all the recent concern about a newly assertive Chinese navy in disputed international waters, China's military hasn't fired a single shot in battle in 25 years

#### No US/Sino war--China decades away from capabilities

Kumar 8-11-11 [Vikas, Assistant Professor of Economics at Azim Premji University, Bangalore, “China’s Achilles’ Heels – Analysis,” http://www.eurasiareview.com/china%E2%80%99s-achilles%E2%80%99-heels-analysis-11082011/]

In any case, even without binding regional constraints and collective action problem, China is a few decades away from acquiring technological capacity to project power across the world. Most of China’s next generation aircrafts, weapons systems, etc are either on the drawing board or barely tested and are not expected to be fully operational before the end of this decade. Producing these equipments in sufficient numbers and mastering their use in synchronisation with rest of the conventional armed forces at some distance from the Chinese coast and allowing the political leadership to get acquainted with the situations in which they could be called upon to make tough decisions with regard to use of advanced weapons will require another five to ten years. In short, China is at least a decade, if not two, away from becoming a trans-regional military power, which is also the time it needs to come close to the US economy in real terms. In the meantime, any Chinese attempt at assertion will be easily checked by the United States, which will be able to continue to maintain its transnational military infrastructure despite growing economic problems at home. The United States will be able to do so because military infrastructure has a long life cycle and the United States is not yet faced with precipitous decommissioning.

#### Economics prevents war

Jim Arkedis (Director for the Progressive Policy Institute's National Security Project) 7-27-2009 “China and America: Mutually Assured Bankruptcy.” <http://www.allourmight.com/?p=719>

This cooperation that makes large-scale military confrontation almost unfathomable.  Love it or hate it, with [$1.5 trillion in US securities](http://www.npr.org/templates/player/mediaPlayer.html?action=1&t=1&islist=false&id=111046667&m=111046645) currently owned by Beijing, the United States and China are sharing the world’s economic driver’s seat for the foreseeable future.  Because of our ever-increasing co-dependence, the financial tidal wave that would follow any military confrontation is almost unthinkable–if China stops buying American Treasury bills, the US would effectively go bankrupt.  And then a bankrupt America can’t buy Chinese goods.

#### the us and china won’t go to war

Banning Garrett (Director, asia programs, the atlantic council of the us) November 2003 “strategic straightjacket’: the united states and china in the 21st century.” http://www.acus.org/docs/0310-Strategic\_Straightjacket\_United\_States\_China\_21st\_Century.pdf

Neither China nor any other state whose power rests on its success in a globalizing world will conclude that its strategic interests are best served by trying to militarily confront the United States, although sometimes even U.S. allies would like to see the “arrogant” United States brought down a notch or two. Unlike the Soviet Union and its client states, all the major powers today depend on the health of the U.S.-led international economic system for their prosperity and often their security. Other nations, including China, need the United States. America also needs these ties (especially with a large and economically important country like China) to help maintain U.S. prosperity and security. As Richard Haass has noted, “war between the great powers” is “almost unthinkable.

### No China/Taiwan war

#### US deterrent will stop the PRC from attacking

Mark Pratt (retired US foreign service officer and former head of the Taiwan desk at the Department of State) 1993 If China Crosses the Taiwan Strait P. 44

The higher end of the range of military actions (which stop short of nuclear attacks) would perhaps be unlikely because of psycho­logical reasons or reasons of internal Chinese politics. It would be hard in China to call the Taiwan inhabitants brothers and then to use massively destructive force against them with little or no provoca­tion. Certainly many of the younger Chinese are convinced that Taiwan has been more successful in resolving the economic and so­cial problems that face its inhabitants than has the Beijing govern­ment. While patriotism can be used as an appeal for reunification, it is not easy to use it to justify killing fellow Chinese rather than for­eign invaders. A possible United States response might also be a significant deterrent over the long period of time required to prepare such an operation.

#### China will NOT escalate to conflict

#### a.) Military Strategy

Harold Brown (Chairman Of The Independent Task Force On Chinese Military Power, Is A Partner At Warburg Pincus And Counselor At The Center For Strategic And International Studies) May 2003 Council On Foreign Relations, “Chinese Military Power” Http://Www.Cfr.Org/Content/Publications/Attachments/China\_Tf.Pdf Brown

The Taiwan Strait is an area of near-term military concern. Current Chinese policy is to avoid a military confrontation if at all possible. For the next decade, a focal point of Chinese military development will likely remain achieving the ability to influence Taiwan’s choices about its political future or, failing that, to prevent Taiwan from achieving formal independence. Here, China is more likely to use new technologies and asymmetric strategies, not to invade Taiwan outright but rather to achieve political goals such as forcing the resumption of political dialogue between the two sides on the mainland’s terms. In a crisis, China may also use its military to counter Taiwan’s economic prosperity by blockade laying mines in the Taiwan Strait, or other means. Moreover, Beijing could decide to utilize force against Taiwan under certain circumstance even if the balance of forces across the strait favored the United States and Taiwan

#### b.) Chinese experts

Robert Ross May 20 2009 Chinese Security Policy: Structure, Power and Politics, pg. 161-4

Nonetheless, Chinese leaders have minimal confidence that China’s strategic forces have a second-strike capability. China’s missiles and nuclear warheads are stored in separate locations. The time required to fit a warhead onto a missile would give the adversary time to detect Chinese preparations. In addition, because China’s missiles are liquid fueled, considerable preparation is required, affording the adversary even more time for detection and the opportunity to launch a preemptive attack.26 Most of China’s IRBMs take even longer to prepare for launch. With the exception of the CSS-5, many are deployed in caves and must be transported to the launch site before they can be joined with the warhead and fueled. At best, the launch preparation time for these IRBMs is slightly more than two and a half hours.27 As a further complication, reports have surfaced of serious desertion problems within China’s strategic missile corps, which suggests that its missile forces may not be able to carry out timely launch preparation in a crisis.28 Chinese military officials recognize that because China’s nuclear force is small and underdeveloped, and because potential adversaries possess advanced technologies that permit high-accuracy and long-distance missiles to target Chinese missiles, its retaliatory capability is vulnerable to a preemptive strike. Moreover, there is widespread Chinese acceptance that because advanced U.S. conventional weapons inflict minimal civilian casualties and collateral damage, they can be used with greater flexibility and less restraint than nuclear weapons to achieve strategic objectives.29 Chinese studies note that U.S. precision-guided missiles can play the role that nuclear weapons played during the Cold War in deterring an adversary from using weapons of mass destruction (WMD).30 Chinese analysts have also noted U.S. interest in using low-yield nuclear warheads deployed on high-accuracy missiles to target WMD, suggesting that Washington had “lowered the nuclear threshold” (jiangdi he menkan) for employing nuclear weapons in possible future preemptive strikes. These analysts are also aware that (1) the 2002 U.S. nuclear posture places China, along with “rogue countries,” on the list of states potentially subject to a preemptive nuclear attack, (2) China’s potential for using force against Taiwan significantly drives U.S. nuclear planning, and (3) Washington could use nuclear deterrence in a Taiwan crisis to deter Chinese use of conventional force.31 Beijing’s concern for the vulnerability of its nuclear forces has led it to rely on mobility, dispersed deployment, and camouflage to enhance its second-strike capability. Yet these methods, particularly its wide dispersal of launch sites, undermine China’s command-and-control systems and thus the reliability of its retaliatory capability.32 Concern for the survivability of its strategic forces has also led to “repercussions and controversy” among PRC specialists over whether China should reconsider its no first-use of nuclear weapons policy. Defenders of this doctrine insist that should circumstances change so that China “cannot not use or has no choice but to use nuclear weapons, it would not be a departure from the intrinsic nature of deterrence, but would be in coordinated unity with it.” Similarly, if an enemy’s conventional attack would threaten its existence, China could counterattack with nuclear weapons, in accordance with its deterrence doctrine.33 China’s concern for survivability has encouraged its leadership to consider a launch-on-warning doctrine. An early discussion of Chinese nuclear doctrine explained that the meaning of a retaliatory attack was not “passive acceptance of attack. We cannot wait until after the enemy’s nuclear missiles explode and there is confusion everywhere before carrying out a nuclear counterattack.” More recently, Chinese military writings advise that “if the enemy first uses nuclear weapons,” China’s strategic missile forces, while preparing for the attack, “must resolutely carry out a counterattack.”34 Given the vulnerability of Chinese forces to a preemptive attack and its deficient early-warning capabilities, however, it is unlikely that China has a launch-on-warning capability. China’s next generation of ICBMs, the DF-31, will be mobile and solid fueled, thus reducing launch times and vulnerability to preemptive attack. Should China also deploy this missile with its warhead, it will be even less vulnerable to preemptive attack. This greater reliability would presumably enhance China’s deterrent capability and the confidence of China’s leaders that it could deter U.S. intervention in a mainland–Taiwan conflict. Nonetheless, not until the end of this decade, at the earliest, will China be able to begin deployment of the longer-range DF-31, which will be able to reach the continental United States.35 Even if China develops a survivable second-strike capability, its leadership would still have minimal confidence that its limited nuclear arsenal could deter U.S. intervention in a war between it and Taiwan. China’s understanding of the stability-instability paradox is that a mutual second-strike capability at the nuclear level and the risk of unintended nuclear war do not deter the conventional use of force. Its perspective is similar to that of the United States during the Cold War, when Washington feared that the U.S.–Soviet nuclear stalemate and U.S. threats of nuclear retaliation would not deter the Soviet use of conventional capabilities against Western Europe. Chinese military and civilian analysts have studied the United States’ persistent Cold War effort to make credible its extended deterrence posture toward Western Europe, despite the combination of the Soviet Union’s second-strike nuclear capability and its conventional superiority in the European theater. The United States developed nuclear war-fighting capabilities and deployed tactical and theater nuclear weapons, but Chinese analysts argue that the United States never overcame the weak credibility of its threat to use nuclear weapons against a Soviet conventional attack. The U.S. search for a space-based defense capability reflected this irresolvable dilemma. Although some studies argue that nuclear weapons may have contributed to European stability, Chinese analysts concur that nuclear weapons played a very limited role in preventing war elsewhere in the world.36 Thus nuclear deterrence is not an “all-purpose” strategy. Rather in local war situations, because of the “enormous destructive power” of nuclear weapons, when mutual deterrence and the danger of nuclear retaliation exist, the “credibility of using nuclear deterrence is very very low and its role in containing local war is very very weak.”37 Thus, Chinese deterrence of U.S. intervention in a Taiwan conflict depends on China’s conventional war-fighting capability. In this respect, China’s deterrence calculus resembles the U.S. deterrence calculus for Europe once the Soviet Union gained its second-strike capability in the early 1960s. Because U.S. policymakers could not be sure that the Soviet response to stability at the nuclear level was caution at the conventional level, presidents from John F. Kennedy to Ronald Reagan consistently sought a conventional war-fighting capability to deter a Soviet invasion of Western Europe. Chinese leaders are no different. They do not believe that Chinese nuclear forces can deter the United States from intervening with conventional forces in a mainland–Taiwan war

#### 3.) Deterrence checks

#### a.) US deterrence

Robert Ross (Prof Political Science, Boston College) Fall 2001 National Interest, Fall, http://findarticles.com/p/articles/mi\_m2751/is\_2001\_Fall/ai\_79354158/pg\_6

There can never be total confidence that deterrence will work. Yet U.S. deterrence of any actual Chinese use of force against Taiwan--outside of a Taiwan declaration of independence--is highly stable. Overwhelming U.S. superiority means that the strategic, economic and political costs to China of U.S. military intervention would be astronomical. U.S. conventional superiority and its strong political commitment to Taiwan mean that the credibility of the U.S. threat to intervene is very high. In an insecure world, the U.S. deterrent posture in the Taiwan Strait is an unusually secure one.

#### b.) International response will deter China from using force

Mark Pratt (retired US foreign service officer and former head of the Taiwan desk at the Department of State) 1993 If China Crosses the Taiwan Strait P. 44

Acquiring Taiwan by force would have other disadvantages than a potential disruption of the Chinese authoritarian system. Certainly the policy of reform and openness to the outside world would be gravely altered when countries on the outside and overseas Chinese (and the population of Hong Kong prior to 1997) would close up their own openings to China. What happened after Tiananmen was a mild warning of how the outside world would react to force against Taiwan. Hong Kong and Taiwan are continuing to increase their involvement in China's economy to the particular benefit of the coastal provinces. That positive role would be lost, and there would be no others to replace it. Many leaders in Beijing are seek­ing to acquire Western science and technology; if they reject any Western political influence, however, they will find that they lose access to the Western knowledge they wish. At the same time, many Chinese would blame them for actions that betrayed the prin­ciples they claim to cherish as part of the borrowings from Marxism-Leninism.

#### 4.) No escalation

#### a.) US won’t get involved

Henry C K Liu Feb 10 2004. Asia Times. Http://Www.Atimes.Com/Atimes/China/Fb10ad06.Html

While Taiwan is a vital interest of China and China has explicitly stated it will bear any sacrifice, including millions of lives and even entire cities to regain it, Taiwan is not a comparable vital interest for the United States. That is especially so if normal US-China relations hang in the balance at a time when the US geopolitical need for Chinese cooperation in the fight against terrorism is on the rise. Nor is the US prepared to make sacrifices comparable to China's over the Taiwan issue. Chinese strategy thus may well aim at deterring US intervention on Taiwan by making clear that such intervention would entail exceedingly high costs in terms of American lives and in terms of diplomatic friction. Indeed, the conflict may not be confinable to only the Taiwan Strait. China will not initiate any preemptive strike against US forces, as history has shown that a Pearl Harbor-type attack would serve only to consolidate US resolve for total war. But to avoid any miscalculation on the part of the United States, China will have to leave no doubt about the prospect of high US casualties if the US chooses to intervene unprovoked in a limited armed conflict over Taiwan.

**b.) China will not escalate it**

Pike 4(John, Global Security, “China’s Options in the Taiwan Confrontation”, http://www.globalsecurity.org/military/ops/taiwan-prc.htm)

China would almost certainly not contemplate a nuclear strike against Taiwan, nor would Beijing embark on a course of action that posed significant risks of the use of nuclear weapons. The mainland's long term goal is to liberate Taiwan, not to obliterate it, and any use of nuclear weapons by China would run a substantial risk of the use of nuclear weapons by the United States. An inability to control escalation beyond "demonstrative" detonations would cause utterly disproportionate destruction.

### No escalation

**Won’t go nuclear**

**Pittsburgh Post-Gazette** 9-29-**2004**

U.S. military capacity is now so overstretched by the Iraq and Afghanistan conflicts that a Chinese move to realize its own top strategic objective, the scooping up of Taiwan to complete the hat trick with Hong Kong and Macao, would find the United States hard-pressed to be able to respond at all. A U.S. threat of a nuclear attack on China -- with China's inevitable nuclear counterstrike -- would be so wildly unacceptable in political terms in the United States itself as to be out of the question for any U.S. administration. The idea of causing Los Angeles to disappear because China had seized Taiwan would be a trade-off that no American leader would even dare contemplate. America is lucky so far that China has not yet sought to match its economic reach in Asia with a corresponding assertion of political influence. That doesn't mean that Asia will inevitably become a sphere of Chinese dominance. What will happen instead -- what is already happening, in fact -- is that other Asian powers such as Japan, Korea and India will increasingly take steps to check Chinese power by increasing their own military capacity. In other words, what was a situation in which the United States stood between Japan and Korea and the imposition of Chinese influence will now become one in which those countries will become more dependent on their own resources to defend themselves. The response of the Koreans could be said to be a move toward resolving the problems between South and North Korea to enable them to present a united front to the Chinese. The response of Japan that can be expected will be limited remilitarization. The health and peace of the region will depend on the degree to which the competition among these countries will be economic, rather than political and military. What will this modification of the balance of power in Asia mean for the United States? First of all, none of this will happen tomorrow. The extension of China's reach and the Japanese and Korean response will be gradual and spread out across the years, although there may well be some pinpricks at the extremities sooner rather than later. The Chinese themselves will avoid direct confrontation with the United States at all costs. It is not their way. Conflict between the two countries would be asymmetrical in the extreme in any case. Basically, the two can't attack each other. Nuclear warfare is out. The million-man People's Liberation Army isn't portable. The Chinese are definitely not into terrorism.

#### Won’t escalate to nukes

#### a.) No first use policy

Stephanie Lieggi, December 2005. Research Associate, East Asia Nonproliferation Program, Center for Nonproliferation Studies Monterey Institute of International Studies, http://www.nti.org/e\_research/e3\_70.html#fn4#fn4

Keeping in mind Beijing's rebuff of Zhu's comment, the question remains as to what his statement meant—if anything—about Chinese nuclear doctrine.[[20]](http://www.nti.org/e_research/e3_70.html#fn20#fn20) To fully assess the current status of China's NFU policy, it is important to go beyond the rhetoric coming from all sides of the debate. The NFU policy has been a part of China's nuclear doctrine for over four decades. Despite massive changes in China since then, many of the factors that dictated Beijing's doctrine in the past still impact policies today. These factors—including deterrence capabilities, resource limitations, regional stability, and perceptions of what is best for China strategically—continue to guide China's nuclear doctrine.

#### b.) War assessment

Stephanie Lieggi December 2005 Research Associate, East Asia Nonproliferation Program, Center for Nonproliferation Studies Monterey Institute of International Studies, http://www.nti.org/e\_research/e3\_70.html#fn4#fn4

There is no doubt that Taiwan remains the top most national security issue for the Chinese leadership and Beijing is willing (though not anxious) to risk a military conflict with the United States to keep the island from permanent separation. But this acknowledgement does not equate to Beijing discarding decades-old doctrines, such as NFU. Chinese political leaders, as well as many military leaders, recognize that China has nothing to gain if a conflict with the United States turned nuclear. At that point, China would quickly lose any ability to control the escalation of the conflict. If Beijing were to attack first with nuclear weapons, even in a situation where Chinese conventional forces were certain to lose the fight for Taiwan, there is no way for the leadership to predict the extent to which Washington would retaliate. The United States would see any nuclear attack by China, even on purely military targets, as provocation to escalate the conflict further, a step that could likely mean the collapse of the current leadership in Beijing. Ultimately, Taiwan would be lost either way. The NFU policy has served China well by assuring strategic stability, assisting in a relatively more efficient allocation of limited resources, and allowing Beijing to take the high moral ground on nuclear weapons use. Despite speculation about a shift in China's nuclear doctrine, a careful analysis of official Chinese positions and recent trends in Chinese nuclear weapons modernization would suggest Major General Zhu Chenghu's remarks do not provide any new clues to China's nuclear doctrine, nor do they indicate a move towards building a more offense-capable and war-fighting nuclear posture. A look at the history of China's no-first-use policy, nuclear program, and doctrine, along with its current military planning and modernization, indicate that a move away from the NFU policy is not likely in the near-to-mid-term. Even in the long-term, China's resources and planning will likely be considered better spent on other priorities, and not the costly expansion of its nuclear arsenal.

### A2 CCP lashout

#### The CCP won’t strike – wants to pursue development

Robert J. Lieber, Professor of Government and International Affairs at Georgetown University, 2005, “The American Era: Power and Strategy for the 21st Century”, p. 171

Despite the muscle flexing directed at Taiwan and Japan, the newer and more highly educated "fourth generation" Chinese Communist Party leadership of Hu Jintao has tended to downplay great power confrontation with the United States in order to continue to pursue development and modernization. China has an enormous stake in American trade and investment, and a serious conflict would have drastic consequences at a time when the country continues to undergo a wrenching transformation of its economy and society. China's trade (exports plus imports) with the United States in 2004 amounted to $179 billion,32 dwarfing the $20 billion in trade with Russia, and not surprisingly the Chinese have been reluctant to jeopardize their relationship with America. Beijing thus has its own practical reasons for not seeking to challenge the pivotal U.S. role in East Asia and for avoiding major disruptions in its external environment. While it is conceivable that an economically powerful China could ultimately emerge as a revisionist power and seek to challenge the U.S. position of unipolar primacy, it is also possible that China's economic development, social change, integration with the world economy, and own self-interest could facilitate both a liberalizing political transition and sustained cooperative relations with the United States. 33

### A2 CCP collapse

#### CCP is resilient, and empirically denied by much worse crises in the past.

Thomas Crampton (correspondent for the International Herald Tribune and The New York Times and as president of The Foreign Correspondents’ Club of Hong Kong, president of The Foreign Correspondents’ Club of Thailand) 1-7-2009 [http://www.thomascrampton.com/china/ubs-unemployment-unlikely-to-cause-unrest-in-china/]

Scale of current job losses is not unprecedented Between 1997 and 2002, about 35 million urban workers were laid off (Xiagang), of which about 28 million were state-owned enterprise workers. At that time, China went through a painful period of SOE restructuring just after the economic boom in the mid-1990s collapsed, and the Asian financial crisis (and later the burst of the ‘dot com’ bubble) slowed China’s export growth significantly. Most of those laid off workers were not counted as unemploymed, and they were given minimum living allowance or entered into early retirement. Adjusting for Xiagang workers, we estimate that the actual unemployment rate was more than 10% in the early part of this decade (Chart 1). In addition, a total of 20 million migrant workers returned to the agricultural sector between 1998 and 2002, for lack of jobs elsewhere. Job losses in 2008 are cyclical, not structural like 1998 This time around, job losses are expected to be mostly cyclical, and there is no major SOE restructuring in the pipeline. Migrant workers, the biggest category of potential job losers, are less organized compared to SOE workers 10 years ago, and in most cases, have a plot of family land as a social safety net. Even if many migrants do not know how to work the land and cannot be absorbed in agriculture, they can be provided by their family, at least for a while. Government has shown it is prepared to take action Compared to 10 years ago, the government is in a much better fiscal position to deliver relief for unemployed workers, help pay wage arrears, increase spending in rural areas and subsidies to the poor. Policies promoting growth, including more spending on infrastructure construction, and growth in the rural areas and labour intensive industries, should also help to absorb some of the unemployed. The scale of job losses, as large as it might be, is not really unprecedented in China. Most of the migrant workers do have a family plot of land to fall back to in the rural area. In addition, the government has resources and is expected to try to mitigate the pain of job losses and stabilize income and consumption.

# Misc.

### States DA

#### Buy American language in infrastructure spending is essential to ensure contracts to US industries – failure means other countries swamp US

AAM (Alliance for American Manufacturing) Feb 2010 “Buy America Works: Longstanding United States Policy Enhances the Job Creating Effect of Government Spending”

We must recognize that we no longer live in a closed economy. Thus, substantial sums of taxpayer funding intended for investment and job creation here at home could instead wind up going overseas into the hands of foreign producers and governments unnecessarily unless we ensure that domestic sourcing rules are incorporated into federal procurement for a wide range of infrastructure projects. It would be a very unwelcome outcome for the American people if manufacturing jobs and capacity instead were created overseas. China, European nations, and many other foreign governments have already made commitments to heavily invest in their industrial base, which is an important step in capturing the technology that will support sustained employment in the 21st century. We must do the same if the United States is to successfully compete now and in the years to come.