# Dredging Case Neg

## Case Frontlines

### Agriculture Advantage

**The plan isn’t key to solve Amazonian deforestation**

**Butler 12** (Rhett, Deforestation in the Amazon, 20 May 2012¸<http://www.mongabay.com/brazil.html>, ZBurdette)

Since 2004 the rate of deforestation in the Brazilian Amazon has fallen nearly 80 percent to the lowest levels recorded since annual record keeping began in the late 1980s. Importantly, this decline has occurred at the same time that Brazil's economy has grown roughly 40 percent, suggesting a decoupling of economic growth from deforestation.

While this is welcome news for Earth's largest rainforest, it is nonetheless important to understand why more than 580,000 square kilometers (224,000 square miles) of Amazon forest has destroyed in Brazil since 1980. Why has Brazil lost so much forest? What can be done to stop deforestation?

Why is the Brazilian Amazon being Destroyed?

In the past, Brazilian deforestation was strongly correlated to the economic health of the country: the decline in deforestation from 1988-1991 nicely matched the economic slowdown during the same period, while the rocketing rate of deforestation from 1993-1998 paralleled Brazil's period of rapid economic growth. During lean times, ranchers and developers do not have the cash to expand their pasturelands and operations, while the government lacks funds to sponsor highways and colonization programs and grant tax breaks and subsidies to forest exploiters.

But this has all changed since the mid-2000s, when the link between deforestation and the broader Brazilian economy began to wane.

The reasons for the decline in Brazil's deforestation rate are debated, but most would agree that several factors come into play, including macroeconomic trends (a stronger Brazilian currency reduces the profitability of export-driven agriculture), increased enforcement of environmental laws, improved forest monitoring by satellite, new incentives for utilizing already deforested lands, expanded protected areas and indigenous reserves, heightened sensitivity to environmental criticism among private sector companies, and emerging awareness of the values of ecosystem services afforded by the Amazon.

A Closer Look at Brazilian Deforestation (Update: Future threats to the Amazon)

Like other places in the tropics, deforestation in Brazil is increasingly the result of urban consumption and trade rather than subsistence agriculture.

Today deforestation in the Amazon is the result of several activities, the foremost of which include:

Clearing for cattle pasture

Colonization and subsequent subsistence agriculture

Infrastructure improvements

Commercial agriculture

Logging

Clearing for Cattle Pasture

Cattle ranching is the leading cause of deforestation in the Brazilian Amazon. This has been the case since at least the 1970s: government figures attributed 38 percent of deforestation from 1966-1975 to large-scale cattle ranching. Today the figure is closer to 60 percent, according to research by Brazil's National Institute for Space Research (INPE) and its Agricultural Research Corporation (Embrapa). Most of the beef is destined for urban markets, whereas leather and other cattle products are primarily for export markets.

**Amazonian biodiversity loss inevitable**

**Sample 12** (Ian, The Gaurdian, “Amazon's doomed species set to pay deforestation's 'extinction debt'”, 12 July 2012, <http://www.guardian.co.uk/environment/2012/jul/12/amazon-deforestation-species-extinction-debt?newsfeed=true>, ZBurdette)

The destruction of great swaths of the Brazilian Amazon has turned scores of rare species into the walking dead, doomed to disappear even if deforestation were halted in the region overnight, according to a new study.

Forest clearing in Brazil has already claimed casualties, but the animals lost to date in the rainforest region are just one-fifth of those that will slowly die out as the full impact of the loss of habitat takes its toll. In parts of the eastern and southern Amazon, 30 years of concerted deforestation have shrunk viable living and breeding territories enough to condemn 38 species to regional extinction in coming years, including 10 mammal, 20 bird and eight amphibian species, scientists found.

The systematic clearance of trees from the Amazon forces wildlife into ever-smaller patches of ground.

Though few species are killed off directly in forest clearances, many face a slower death sentence as their breeding rates fall and competition for food becomes more intense.

Scientists at Imperial College, London, reached the bleak conclusion after creating a statistical model to calculate the Brazilian Amazon's "extinction debt", or the number of species headed for extinction as a result of past deforestation. The model draws on historical deforestation rates and animal populations in 50 by 50 kilometre squares of land.

It stops short of naming the species most at risk, but field workers in the region have drawn attention to scores of creatures struggling to cope with habitat destruction and other environmental threats.

White-cheeked spider monkeys, which feed on fruits high in the forest canopy, are endangered largely because of the expansion of farmland and road building. The population of Brazilian bare-faced tamarins has halved in 18 years, or three generations, as cities, agriculture and cattle ranching has pushed into the rainforest. The endangered giant otter, found in the slow-moving rivers and swamps of the Amazon, faces water pollution from agricultural runoff and mining operations in the area.

Writing in the journal Science, Robert Ewers and his co-authors reconstructed extinction rates from 1970 to 2008, and then forecast future extinction debts under four different scenarios, ranging from "business as usual" to a "strong reduction" in forest clearance, which required deforestation to slow down 80% by 2020.

"For now, the problem is along the arc of deforestation in the south and east where there is a long history of forest loss. But that is going to move in the future. We expect most of the species there to go extinct, and we'll pick up more extinction debt along the big, paved highways which are now cutting into the heart of the Amazon," Ewers told the Guardian from Belém, northern Brazil.

Under the "business as usual" scenario, where around 62 sq miles (160 sqkm) of forest are cleared each year, at least 15 mammal, 30 bird and 10 amphibian species were expected to die out locally by 2050, from around half of the Amazon. Under the most optimistic scenario, which requires cattle ranchers and soy farmers to comply with Brazilian environmental laws, the extinction debt could be held close to 38 species.

Ewers said the model reveals hotspots in the Brazilian Amazon where conservation efforts should be focused on the most vulnerable wildlife. "This shows us where we are likely to have high concentrations of species which are all in trouble, and that becomes a way for directing our conservation efforts. We are talking about an extinction debt. Those species are still alive, so we have an opportunity to get in there and restore the habitat to avoid paying that debt," Ewers said.

The Brazilian Amazon is home to 40% of the world's tropical forest and one of the most biodiverse regions on the planet. About 54% of the area is under environmental protection, and in the past five years, stricter controls and better compliance have driven deforestation rates down to a historical low.

The trend towards less deforestation might not last though. Under pressure from the financial crisis, the Brazilian government has proposed a rapid development programme in the Amazon to fuel the economy. The move foresees the construction of more than 20 hydroelectric power plants in the Amazon basin and an extensive push into the rainforest.

Environmentalists are further concerned about an overhaul to Brazil's Forest Code, which is widely expected to weaken the protection of the rainforest, and potentially speed up deforestation once more, according to an accompanying article in Science by Thiago Rangel, an ecologist at the Federal University of Goiás in Brazil. "Extinction debts in the Brazilian Amazon are one debt that should be defaulted on," he writes.

Reducing the rate that extinction debts build up is not enough to preserve the Amazon's biodiversity, Rangel argues. "The existing debt may eventually lead to the loss of species. To prevent species extinctions, it is necessary to take advantage of the window of opportunity for forest regeneration. Restored or regenerated forests initially show lower native species richness than the original forests they replaced, but they gradually recover species richness, composition and vital ecosystems functions, reducing extinction debt and mitigating local species loss," he writes.

**The status quo solves their internal link to deforestation**

**Watts 12** (Jonathan, The Gaurdian, “Amazon deforestation at record low, data shows”, 7 June 2012, <http://www.guardian.co.uk/environment/2012/jun/07/amazon-deforestation-illegal-logging-brazil>, ZBurdette)

Deforestation of the Amazon has fallen to its lowest levels since records began, according to data recently released by Brazil's National Institute for Space Research.

The boost for the environment comes a week after president Dilma Rousseff was criticised for weakening the forest protection measures widely credited for the improvement, and two weeks before Brazil hosts the Rio+20 Earth summit.

Using satellite imagery, the institute said 6,418 sq km of Amazon forest was stripped in the 12 months before 31 July 2011 – the smallest area since annual measurements started in 1988.

The data continues an encouraging trend. Since the peak deforestation year of 2004, the rates of clearance have fallen by almost 75%.

"This reduction is impressive; it is the result of changes in society, but it also stems from the political decision to inspect, as well as from punitive action by government agencies," Rousseff said.

She was speaking at a ceremony on Tuesday to mark the opening of two new nature reserves: the 34,000-hectare (83,980 acres) Bom Jesus Biological Reserve in Paraná, and the 8,500-hectare (20,995 acres) Furna Feia National Park in Rio Grande do Norte.

To mark World Environment Day, the Brazilian president also signed a number of other measures to expand existing parks, protect areas of biodiversity and recognise the land rights of indigenous communities.

Rousseff said Brazil was "one of the most advanced countries" for sustainable development, but its impressive efforts have been undermined by new legislation that reduces requirements on farms created by illegal logging to reforest portions of cleared land.

Under domestic and international pressure, Rousseff vetoed 12 of the most controversial sections of the revised Forest Code, but environmentalists are furious that many other changes will go through.

The Brazilian government insists that the compromise was a realistic balance of agricultural and environmental priorities. Environment minister Izabella Teixeira says 81.2% of the country's original forest remains – one of the highest levels in the world.

But 10 former environment ministers have criticised the measures as a "retrograde step". In an unusual cross-party collaboration, they jointly signed a letter opposing the change to a code that they described as "the single most relevant institutional basis for the protection afforded to forests and all the other forms of natural vegetation in Brazil."

Economic and technological factors have also contributed to the slowing of clearance rates. The rise in the value of the Brazilian currency and the fall of soya and beef prices in the wake of the 2008 global financial crisis eroded the incentive for land clearance for agricultural exports.

Implementing regulations remains extremely difficult in the wild west-like frontiers of the Amazon and the interior forest regions. But enforcement has been strengthened by increasingly precise satellite monitoring by the National Institute for Research in the Amazon.

This November, Brazil plans to launch a new satellite with a resolution of five metres, up from the current level of 250 metres. With close-to-real-time date, the central authorities are able to quickly notify federal police and environment officials about ongoing, illegal land clearance operations.

The government has also responded rapidly and flexibly. After a two-month spurt of clear-cutting in Mato Grosso early last year, it established a task force to strengthen countermeasures and sent 700 inspectors to the region. This year, eight municipalities were added to the list of critical areas, bringing them under closer inspection.

According to local media, the task force has apprehended 325 trucks, 72 bulldozers and 62,000 cubic metres of illegally cut timber and embargoed 79,500 hectares of land in the region.

The environment ministry says further factors in the drop of deforestation are regularisation of land tenure, initiatives to encourage sustainable practices and the expansion of protected areas. According to the UN Global Biodiversity Outlook, Brazil accounts for nearly 75% of the 700,000 sq km of protected areas created around the world since 2003.

**US agriculture is high now---disproves their internal link**

**Neuman 10** (William, “Strong Exports Lift U.S. Agriculture Sector”, August 31, 2010, <http://www.nytimes.com/2010/09/01/business/economy/01exports.html>, ZBurdette)

Even as the broader economy falters amid signs of a weakening recovery, the nation’s agriculture sector is going strong, bolstered in part by a surge in exports, according to federal estimates of farm trade and income released on Tuesday.

The estimates confirm what economists have been saying for months: agriculture, which was generally not hit as hard by the recession as many other segments of the economy, remains a small bright spot going forward.

“We’re just having a robust rebound in the agricultural sector and promises of more growth,” Jason R. Henderson, vice president and economist at the Omaha branch of the Federal Reserve Bank of Kansas City, said in a recent interview.

The estimates show that American farmers will ship $107.5 billion in agricultural products abroad in the fiscal year that ends Sept. 30. That is the second-highest amount ever, behind the record $115.3 billion in exports logged in 2008, when commodity prices soared as the global demand for agricultural products was helped by fast-growing economies in the developing world.

Next year, exports are expected to total $113 billion. In releasing the data, Tom Vilsack, the secretary of agriculture, said exports of grains and meats were leading the rebound. He called the new estimates “very encouraging.”

The export growth is propelled by higher prices for many products, including wheat, whose prices have skyrocketed as drought and punishing heat decimated crops in Russia, Ukraine and Kazakhstan. Exports to Asia have been particularly strong, and China is forecast to surpass Mexico next year to become the second-largest foreign buyer of American farm products. Canada is the No. 1 export market.

Wheat exports this year are estimated at $6 billion, about the same as last year, as much of this year’s crop had already been sold when prices started to rise. But wheat exports for the fiscal year 2011 are expected to rise to $8 billion, because of higher prices and increased production.

Prices for other grains have risen, too, encouraging farmers.

“The better the demand, the higher the price, and it’s going to put another 10, 15, possibly 20 cents in the price of a bushel of corn,” said Bill Horan, a corn farmer in Iowa. Corn is about $4 a bushel, which is about 50 cents higher than last year. “It means my wife can go out and buy a new sofa, and I can put new tires on the pickup.”

Prices have also risen significantly for cotton, meat and dairy products. Cotton exports are expected to reach $6 billion next year, up from $4.8 billion this year and $3.5 billion last year, on the strength of a large crop here and tight worldwide supplies that have lifted prices.

Despite such increases, prices for most agricultural commodities remain well short of the record levels of 2008. And the price paid to farmers is only a small portion of the end cost of most foods. So economists predict that the prices consumers pay in the supermarket will rise only moderately this year.

Other economic measures were also promising for the farm sector, which accounts for a small fraction of the overall economy but has a strong impact on the well-being of many rural areas, and a ripple effect for suppliers and other related industries.

Total net farm cash income for the current calendar year was estimated at $85 billion, a 23 percent increase from last year and well above the 10-year average of $72 billion.

About 75 percent of farm production occurs on just 271,000 farms, or 12 percent of the total farms in the country. Those large commercial farms were forecast to average $220,000 in net cash income this year, a 22 percent rise from a year ago.

When all farms are taken into account, average farm household income is expected to be $81,670 this year, a nearly 6 percent increase from last year.

Household income for many who live on farms comes largely from off-farm jobs and other sources, like investments. This year, on average, 11 percent of the household income for farm families was predicted to come from agriculture.

Income from both farm and nonfarm sources is expected to rise this year, indicating an overall improvement in the rural economy, officials said.

Joseph Glauber, the agriculture department’s chief economist, said that a strong rebound in livestock and dairy prices had been a major factor in the farm recovery.

Dairy producers were hurt badly in the recession by high costs and low prices, which have recently begun to recover. Cattle and hog producers also struggled with low prices, caused by overproduction. But cattle and hog producers have managed to cut the size of their herds, pushing prices back up at the same time that international demand recovers, Mr. Glauber said.

“Exports are kind of driving our market,” said Jason Anderson, who operates a cattle feedlot in Holbrook, Neb. “Demand is pretty good, and we’ve seen about a $5 to $7 price rally just this month,” he said, referring to the price per hundredweight.

Economists said that the farm sector overall was not hurt as badly in the recession because farmers generally had better access to credit. At the same time, farms over all were not highly leveraged, putting them in a better position to withstand the economic storm.

“The farm economy in rural America has not suffered as severely as the industrial part of the economy and, because of the strong exports, the rural economy is recovering what it lost during the downturn,” said Roy Bardole, a farmer in Rippey, Iowa, and chairman of the Soybean Export Council.

#### **US soybean exports are increasing rapidly and are projected to increase by 95% by 2026 – your internal link is terrible – Brazil is actually importing soybeans from the U.S.**

Szakonyi 7/2 2012 (Mark, Associate Editor for the Journal of Commerce Online, Report: US Soybean Exports to Help Drive Trade Up 95 Percent, Gale Reference Center, jmb)

U.S. exports of soybeans, coal and petroleum will drive the nation’s trade to expand 95 percent by 2026, as global trade jumps 98 percent in the same period, according to a HSBC report.¶ American exports over the next five years to Peru will grow 8.7 percent, and Turkey and Brazil will increase their own imports from the U.S. by more than 8 percent each. Exports to Vietnam will grow by 7 percent by 2016, and Columbia, Russia and Singapore are expected to increase their demand for U.S. imports between 5 percent to 7 percent in the same period.¶ Within the same period, U.S. export growth to China will expand by 7 percent, while imports from the Asian manufacturing powerhouse will grow 4 percent. A more than 11 percent jump of U.S. exports of soybeans to China, along with increased imports of computers, audio visual and telecom equipment, will boost overall trade between the two countries. U.S. trade to India is slated to rise by 7.6 percent, with imports and exports seeing about an equal rate of growth.¶ Soya bean is already the 11th largest U.S. export sector , is also forecast to see significant growth of just under 10 percent, with China the main destination. Reflecting the strength of commodities globally, exports of coal and petroleum are both expected to grow by more than 9 percent; the report stated.¶ U.S. exports to Mexico will grow about 4 percent and imports will expand nearly 3 percent by 2016. U.S.-Canada trade in the next five years will be virtually flat, with U.S exports growing 1.7 percent and imports ticking up 0.7 percent.¶ Canada and Mexico will remain the two main export partners and number two and three for imports in the period to 2016, reflecting the importance of geographical proximity to U.S. traders; according to the report, which places China as the third-largest U.S. trade partner.¶ Brazil is expected to have the fiercest appetitive for imports over the next five year, with growth of 7.7 percent expected. Chinese imports will likely growth 5.1 percent in the same period, as the government pushes domestic consumption, and exports are slated to grow 4.7 percent.¶ Brazilian imports of cars will rise by more than 13 percent by 2016, and car shipments to China will likely grow by nearly 12 percent in the same period. China and Germany are expected to knock the U.S. out of its place as top global importer by 2026.¶ U.S.-based importers and exporters appear to be optimistic of trade volume in the next six months, according to the HSBC Trade Confidence Index. Fifty-nine percent of respondents expect trade volume to rise, up 10 percent from the last study in October 2011. The respondents also appear more confident in the global economy, with 44 percent expecting a strengthened climate by the end of year, up from 29 percent who shared a similar view in the second half of 2011.¶ Traditional export-driven economies in 'emerging' markets are becoming more consumer-driven and importing more from high-end developed nation producers like the United States to fulfill demand; said Steve Bottomley, senior executive vice president, head of commercial banking, HSBC, North America. & U.S. businesses should not ignore this important shift, and growth driver, but instead position themselves to become beneficiaries of this opportunity that is expected to help fuel global trade for many years to come.

#### Soybean exports high – US dominates the market.

Shore 7/5

(Sandy, AP Business Writer, 7-5-12, <http://www.google.com/hostednews/ap/article/ALeqM5hyJ_VmwRGFNpG33qqgaXgOqJjFvw?docId=9b1b8db85333489cb05141aca9a90380>, “Soybeans prices hit highest level in 4 years” WL)

Soybean prices are at the highest level in four years after an extended spell of hot, dry weather caused crops to droop.¶ Soybeans for November delivery rose 51.75 cents, or 3.5 percent, Thursday to finish at $15.265 per bushel, the highest price since the summer of 2008. Corn futures jumped 5 percent and wheat finished up 4.8 percent.¶ Global soybean supplies are low after weather damaged crops this year in South America. China and other countries have turned to the U.S. for supplies of the protein-rich beans. U.S. farmers hoping to take advantage of the increased export demand planted about 76.1 million acres of soybeans this year, the third biggest crop on record, according to the U.S. Agriculture Department.¶ But growing conditions steadily deteriorated in the U.S. after a heat wave settled in over much of the country. About 45 percent of the crop was in good to excellent condition as of Sunday, compared with 53 percent the previous week, the agency reported.

#### Soybean exports expected to grow this year – US dominates.

Business Monitor ’12

(6-23-2012, Business Monitor, <http://www.lexisnexis.com.proxy1.cl.msu.edu/hottopics/lnacademic/>, AP)

We have revised up our US soybean production forecast for 2012/13, largely because of expectations for slightly better yields year-on-year. US exports will be insufficient to meet high demand from China after droughts slashed soy crops in Brazil and Argentina. We believe the global soybean market will be the poorest supplied grain market in 2012/13 and expect prices to average at USc1,250/bushel in 2012.? In the 2011/12 season, ending in August 2012, we expect production to decrease by 8.4% year-on-year (y-o-y) and to come in around 83mn tonnes. Bad weather, particularly in southern US states, led to a downgrade in yields. Moreover, high corn prices during the 2011/12 planting season (between February and April 2011) prompted many farmers to plant corn instead.? Concentrated In The Middle? US - Map Of Soybean Growing Areas? Source: BMI, USDA? Looking at 2012/13, we have revised up our US soybean production forecast, largely because of expectations for slightly better yields. We now expect output to rebound and to grow by 4.8% and to reach 87.0mn tonnes (compared to our previous forecast of 85.0mn tonnes). Soybean planting, which last from February to April, has proceeded at one of the fastest rates ever according to the USDA. As of the end of June, 97% of the 2012 U.S. soybean crop had been sown, well ahead of the five-year average of 85%. Harvested area should reach 29.5mn hectares, in line with the ten-year average. Due to expected higher yields, at 2.9tonne/ha, production is set to be one of the largest on record. Staying Supported For Now? Front-Month CBOT Soybean, USc/bushel (Weekly Chart)? Source: Bloomberg, BMI? Risks To Outlook? Risks to our production forecasts are weighted to the downside, mainly due to unfavourably dry weather. The lack of moisture is hampering late soybean planting as well as double-crop soybean planting, sowed as a second crop just after the winter wheat harvest which lasts from June to August. Moreover, dry weather conditions is weighting on the crop condition. As of the end of June, soybean in good conditions only accounted for 45% of the total planted area, well below the five-year average of 53% according to the USDA.? Global Implications? As the US accounts for roughly 33% of total soybean production and 40% of total soybean exports, any decrease in exports could potentially alter global dynamics. Because of exceptional demand for US soybean from China in the last months, US stocks have been drown down and ending stocks for 2011/12 are expected at 4.8mn tonnes, well below the ten-year average of 6.8mn tonnes. Although exports are expected to increase by 11.2% to 40.4mn tonnes, exports will be insufficient to accommodate strong Chinese demand. Indeed, Brazil and Argentina, two other main exporters, are unlikely to ease the global market, as droughts from La Niña created supply tightness.?

#### U.S. soybean export high now

URBANA , 6/28

(6/28/12“Soybean Fundamentals Strong”, <http://www.cantondailyledger.com/news/x57812039/Soybean-fundamentals-strong>, kaw)

¶ According to University of Illinois agricultural economist Darrel Good, U.S. soybean market fundamentals have been strong for an extended period of time. “The strong fundamental factors have included record large exports in 2009-10 and 2010-11 as Chinese demand expanded, a reduction in U.S. soybean acreage in 2011, a relatively low U.S. average yield in 2011, intentions to reduce U.S. acreage again in 2012, and a very small soybean harvest in South America this year,” Good said. “These strong market fundamentals continue in the form of a rapid pace of consumption and concerns about the size of the 2012 U.S. crop.”¶ Good reported that soybean prices began moving higher in July 2010, starting from about $9.50. July 2012 soybean futures reached a high of about $14.70 in late August 2011, declined to a low near $11.25 in mid-December 2011, and reached a high of $15.12 in early May 2012. Prices have been very choppy the past two months, but the July futures contract is now trading within about.30 cents of the early May high. November 2012 futures prices have been lower than July futures but have followed a similar pattern and are now trading at a contract high near $14.30.¶ “The pace of the domestic soybean crush started slowly this year,” Good said. “The National Oilseed Processors Association reported that its members crushed 7.7 percent fewer soybeans in the first quarter of the 2011-12 marketing year than in the same quarter the previous year. Crush during the second quarter, however, was 2.3 percent larger and crush during the third quarter was 7.2 percent larger than in the respective quarters last year. Crush during the first three quarters of the year was 0.3 percent larger than the crush last year. For the year, the USDA projects the crush to be 0.7 percent larger than during the 2010-11 marketing year.¶ “It now appears that the crush may exceed that projection for several reasons. First, crush was relatively small in the fourth quarter of the 2010-11 marketing year. Second, the pace of domestic soybean meal consumption has been expanding. Third, the small South American crop may support U.S. soybean meal exports above the current projection. The crush may be about 10 million bushels larger than the current projection of 1.66 billion bushels,” Good said.¶ At the beginning of the marketing year, the USDA projected U.S. exports at 1.415 billion bushels, said Good. The projection was reduced as the year progressed and was at 1.275 billion bushels by January 2012. “The forecast, however, increased beginning in April and now stands at 1.335 billion bushels,” he said. “Total export sales already exceed that projection, which is common, and exports will need to average about 13 million bushels per week during the last 10 weeks of the year to reach the projection. The current pace of exports is a little slower than the needed pace, but exports are still likely to reach the projected level. While the pace of exports has slowed in a typical seasonal pattern, sales for export during the 2012-13 marketing year are record large, underscoring the strength in Chinese demand. The USDA will update the projections of consumption and ending stocks for both marketing years on July 11. The estimate of June 1 stocks, to be released on June 29, will provide some confirmation about the pace of consumption and likely year-ending stocks,” Good said.¶ With prospects for relatively small year-ending soybean stocks, the focus is quickly turning to the prospective size of the 2012 U.S. crop. An estimate of planted and harvested acreage will be available with the USDA’s June 29 Acreage report.¶ “With the soybean price rally that occurred this spring, it would not be surprising if acreage exceeded intentions reported in March,” Good said. “While acreage estimates will influence production prospects, the major focus will be on yield prospects.”¶ In the June WASDE report, the USDA projected a U.S. average yield of 43.9 bushels and 2012-13 marketing year-ending stocks at what is generally considered to be a minimum level of 140 million bushels. Good said that the trend yield for 2012 is 43.4 bushels, 1.9 bushels above the 2011 average yield.¶ “Continuation of stressful weather in the central and eastern growing areas along with declining crop condition ratings suggest that the 2012 yield could be below trend again in 2012,” Good said. “A shortfall in production would require that consumption during the year ahead be reduced from the current USDA projection of 3.255 billion bushels. The recent price rally is in recognition of the rationing that may be required.¶ “Unless weather and crop conditions improve soon, which does not appear likely, additional price strength is expected,” Good said. “Talk of the 2008 futures price peak near $16.60 has surfaced. While prices at that level are not yet justified, they are within the range that we have projected for the ‘new era’ of prices that began in 2007.”

#### Soybean Exports higher than expectations

FWN Financial News 7-6

(NQA, “DJ U.S. SOY: Beans Stumble; Traders Book Profits After Recent Surge”, )

Investors may have a tough time buying soybeans, with cooler temperatures on the way and the influence of outside macro markets damping some buyer's confidence, a CBOT floor trader said.¶ Otherwise, investors are considering demand, paying close attention to how domestic and foreign end users react to soaring prices. Large export sales were not a big surprise, and should not affect the temporary reprieve from the rallying prices, said Rich Nelson, director of research at brokerage and advisory firm Allendale Inc. in McHenry, Ill.¶ Weekly soybean export sales totaled 1,763,400 metric tons, including 298,700 metric tons for the current marketing year and 1,464,700 metric tons for the year starting Sept. 1, according to the U.S. Department of Agriculture. The sales were above trader expectations that ranged from 450,000 metric tons to 700,000 metric tons.¶ The USDA also announced the sale of 120,000 metric tons of soybeans by private exporters to China during the 2011/2012 marketing year, which ends Aug. 31.

#### Soybean exports increasing now

Villari,writer for States News Service, June 11

(Gena, 6-11-12, States News Service, “GOVERNOR MCDONNELL ANNOUNCES CHINESE BUSINESS TO PURCHASE UP TO 550,000 METRIC TONS OF 2012 CROP SOYBEANS FROM PERDUE AGRIBUSINESS”, gale, ks)

RICHMOND, VA -- The following information was released by the office of the governor of Virginia:¶ Governor Bob McDonnell today announced the expansion of a major soybean export agreement between Perdue Agribusiness, which owns and operates a major deep water export facility in Chesapeake, and the Dandong Port Group and Dandong Pasite Grain and Oilseed Co. of Dandong, China.¶ Under terms of the expanded export agreement, Dandong will purchase from Perdue up to 10 Panamex vessels of soybeans from the 2012 crop, which will be ready for export in October. Each Panamex vessel holds approximately 55,000 metric tons, or about 2 million bushels, of soybeans. On Friday, the Chicago Board of Trade per bushel price for soybeans was $14.86. Dandong purchased five vessels filled with 2011 crop soybeans from Perdue as a result of the original business agreement signed in September 2011 in Richmond. The first shipment from the 2011 crop was worth approximately $25 million.¶ Speaking about the agreement, Governor McDonnell said, "Today's announcement is more great news for Virginia agriculture, especially our soybean producers. Growing exports are key to growing our economy. In the last few months alone we've announced a record export level reached in 2011 and new trading deals with countries around the world, some of which were initiated during international marketing and trade missions. I applaud the leadership of Perdue and Dandong for building on their existing relationship to increase exports from Virginia. Their work and cooperation means more economic opportunities for our producers, shippers, and so many others between our farms and world-class ports."¶ The deals, which were finalized and signed in New York City last month during a ceremony attended by senior leadership of Perdue and Dandong as well as the senior government official of the Liaoning Province where Dandong is located, were witnessed officially by U.S. Representative Robert Hurt (VA-5th) and Virginia Secretary of Agriculture and Forestry Todd Haymore on behalf of Governor McDonnell. Chief of Staff Martin Kent and Secretary Commerce and Trade Jim Cheng also attended the ceremony.¶ In addition to the new exports, Perdue and Dandong also agreed to terms on an agronomic cooperation agreement that will assist Dandong's efforts to improve the quality of animal feed stock. The agreement is for use in Dandong's soybean crushing and soy meal production facilities. It primarily calls for Perdue to assist Dandong with its efforts to improve the quality of animal feed stock developed, in part, from soybeans sourced from Perdue.¶ "We are very pleased with the results from the first year of our business relationship with Dandong and are excited about continuing to build on it in through product sales as well as expertise sharing in the coming year," said Jim Perdue, Chairman of Perdue. "We are grateful to Governor McDonnell and his team, and to the Commonwealth of Virginia, for introducing us and facilitating the original agreement, and for their support as we grow this mutually beneficial relationship."¶ "I am pleased to expand our already solid business relationship with Perdue Agribusiness," said Mr. Wenliang Wang, Chairman of the Dandong Port Group and Dandong Pasite Grain and Oilseed Co. "Perdue has been a valuable partner in our expanding soybean import growth and we look forward to continue working with the company in the coming years. Governor McDonnell introduced our company to Perdue last year and his on-going efforts to facilitate greater opportunities for agribusiness cooperation as well as this agreement was crucial to its success. I appreciate the Governor's continued commitment to agriculture."¶ "I was honored to assist Governor McDonnell and his team in reaching an expanded export agreement between Perdue Agribusiness and the Dandong Port Group," said Rep. Hurt, who represents Virginia's 5th Congressional District. "Our family farms and small businesses are the lifeblood of our economy in Virginia's 5th District, sustaining many rural communities and creating the jobs that we need in this stalled economy. This expanded export agreement is great news for the 5th District and the Commonwealth and I was proud to be a part of ensuring that our Central and Southside Virginia agribusinesses continue to have opportunities to grow and expand their reach, both in Virginia and internationally."¶ After taking office, Governor McDonnell fully integrated the promotion of agriculture and forestry products into his overall economic development agenda and implemented a strategic initiative to help Virginia's producers, agribusinesses, and shippers increase exports into the global marketplace. Since 2010, the Governor has worked with a number of the Commonwealth's agribusinesses to help secure approximately $200 million in new agricultural exports, including soybeans and wine shipments to China, beef cattle to Canada, dairy cattle to Russia, and wine, seafood, and specialty foods to the European Union.¶ The Governor also has worked with the General Assembly to secure new international marketing funds for the Virginia Department of Agriculture and Consumer Services (VDACS) to hire trade representatives in China and India, two of the world's fastest growing economies. New appropriations sought by the Governor in the recently completed state budget will allow VDACS international marketing staff to pursue new export opportunities in other fast growing regions, such as Europe, Northern Africa, and Latin America.¶ Agricultural exports from Virginia reached an all-time high of $2.35 billion in 2011. Virginia's top customers include a diversified portfolio of developed and emerging countries, including Morocco, China, Canada, Switzerland, Egypt, and Cuba.¶ Agricultural exports are an increasingly important part of the nation's and Virginia's economy. A United States Department of Agriculture study concluded that for every $1.00 in agricultural exports from a state, $1.40 is generated in-state from related services, such as production, processing, shipping, storing, and financing.¶ Agriculture and forestry are Virginia's largest industries, with a combine economic impact of $79 billion annually: $55 billion from agriculture and $24 billion from forestry. The industries also provide approximately 500,000 jobs in the Commonwealth according to the Weldon Cooper Center for Public Service at the University of Virginia.

#### US Soybean Demand high--- Increase in Exports.

Johnson, News Writer for FWN Financial News, June 14

(Andrew, 6-14-12, “DJ U.S. SOY: Beans Climb on Strong Demand, Crop Uncertainties”, rs)

CHICAGO--U.S. soybean futures are higher Thursday, fueled by solid demand and lingering worries about U.S. crop potential. ¶ At 9:49 a.m. EDT, CBOT July soybeans are up 4 cents at $14.12 1/4 a bushel. ¶ The soybean market is rebounding from weaker overnight price action, as signs of stronger-than-expected domestic and export demand rekindle investor's bullish enthusiasm. ¶ Traders remain mindful of tightening global soybean inventories, with increased demands placed on U.S. soybean supplies adding value to prices. ¶ Larger than expected weekly export sales and usage for the monthly crush heighten fears of U.S. supplies dwindling to precariously low levels through August of 2013, said Rich Nelson, director of research at advisory firm Allendale Inc. in McHenry, Ill. ¶ The U.S. Department of Agriculture, in a weekly export sales report, said U.S. sold 1,005,100 metric tons of soybeans in the week ended June 7, including 425,100 metric tons for the current marketing year ending Aug. 31. The sales were well above trader's expectations that ranged from 450,000 to 750,000 metric tons. ¶

#### US soybean exports increasing now- Containers

Feedstufs 12 ("Containerized soybeans add value." Feedstuffs 25 June 2012: 5. General Reference Center GOLD. Web. 19 July 2012. MPH)

EMPTY containers, sitting on docks along the Eastern Seaboard, could present a profitable opportunity for U.S. soybean farmers and exports, according to a recent checkoff-funded study.¶ An analysis conducted by the United Soybean Board's (USB) Global Opportunities program considered the potential for shipping containerized soybeans to Europe via containers that would otherwise cross the Atlantic empty.¶ Among the conclusions, the report found that ocean freight cost is the most important factor in determining the profitability of containerizing soybeans bound for Europe. Freight from the East Coast would need to cost less than $1,000 per 40-ft. container carrying 950 bu. of soybeans or 25.5 metric tons of soybean meal to be competitive with Argentine meal delivered in bulk cargo ships.

#### US Soybean trade with China will double our soybean exports

The Virginian Pilot. 6-12

"Hampton Roads, state and nation." Virginian Pilot 12 June 2012: A7. Infotrac Newsstand. Web. 19 July 2012.

Trade deal expands China soybean exports**¶** The expansion of a trade deal could double soybean exports to China through a Chesapeake port terminal to up to 550,000 metric tons this year, Gov. Bob McDonnell announced Monday. The expanded deal between Perdue Agribusiness and China-based Dandong Port Group and one of its affiliates is potentially worth more than $300 million, at the current price for soybeans.¶ Under terms of the original deal, signed in the fall, Dandong agreed to buy about 275,000 metric tons of soybeans from the 2011 crop. Last year, China was the largest customer for U.S. soybeans, with purchases exceeding $10.4 billion.¶ Perdue has a deep-water export facility on the Southern Branch of the Elizabeth River, in South Norfolk.

#### US soy bean exports high now

Dow Jones 6/14 (NQA, 6-14-12, “US Soy: Beans Climb on Strong Demand, Crop Uncertainties”, <http://go.galegroup.com.proxy2.cl.msu.edu/ps/i.do?id=GALE%7CA293062415&v=2.1&u=msu_main&it=r&p=STND&sw=w>, Gale, lcl)

U.S. soybean futures are higher Thursday, fueled by solid demand and lingering worries about U.S. crop potential.¶ At 9:49 a.m. EDT, CBOT July soybeans are up 4 cents at $14.12 1/4 a bushel.¶ The soybean market is rebounding from weaker overnight price action, as signs of stronger-than-expected domestic and export demand rekindle investor's bullish enthusiasm.¶ Traders remain mindful of tightening global soybean inventories, with increased demands placed on U.S. soybean supplies adding value to prices.¶ Larger than expected weekly export sales and usage for the monthly crush heighten fears of U.S. supplies dwindling to precariously low levels through August of 2013, said Rich Nelson, director of research at advisory firm Allendale Inc. in McHenry, Ill.¶ The U.S. Department of Agriculture, in a weekly export sales report, said U.S. sold 1,005,100 metric tons of soybeans in the week ended June 7, including 425,100 metric tons for the current marketing year ending Aug. 31. The sales were well above trader's expectations that ranged from 450,000 to 750,000 metric tons.¶

#### Soybeans up!

FWN Financial News, your insights on finance, 7/10

(7-10-12, “U.S. SOY: Drifting Lower; Traders Book Profits Before USDA Reports”, TVB)

CHICAGO--U.S. soybean futures are trading lower, stabilizing after closing at a new all-time high Monday.¶ Investors are reducing risk and taking some profits off the table after the recent rally in futures.¶ Soybean futures had rallied $2.80 a bushel or 20% in the past three weeks.¶ Chicago Board of Trade July soybeans are 11 1/4 cents, or 0.7%, lower at $16.53 3/4 a bushel. The new-crop CBOT November contract is trading down 9 1/4 cents, or 0.6%, at $15.38 1/2 a bushel.¶ "The day prior to the monthly supply/demand report from U.S. Department of Agriculture is bringing a round of profit taking with it," Brian Hoops, president of brokerage and advisory firm Midwest Market Solutions, wrote in a morning market note.¶ Investors are typically cautious about holding bets when going into USDA reports known for causing big price swings.¶

#### Soybean production is set to be largest on record

Business Monitor Online, 6/29

(Business Monitor Online, 6-29-12, http://www.lexisnexis.com.proxy2.cl.msu.edu/hottopics/lnacademic/

“Global Soybean Outlook: US Focus”, LexisNexis, jn)

Looking at 2012/13, we have revised up our US soybean production forecast, largely because of expectations for slightly better yields. We now expect output to rebound and to grow by 4.8% and to reach 87.0mn tonnes (compared to our previous forecast of 85.0mn tonnes). Soybean planting, which last from February to April, has proceeded at one of the fastest rates ever according to the USDA. As of the end of June, 97% of the 2012 U.S. soybean crop had been sown, well ahead of the five-year average of 85%. Harvested area should reach 29.5mn hectares, in line with the ten-year average. Due to expected higher yields, at 2.9tonne/ha, production is set to be one of the largest on record.

### Economy Advantage

#### Economy Improving Now – Multiple Warrants- Gas Prices and Private Sector

Lowrey 7/12

(Annie, New York Times Reporter, 7-12-12 http://www.nytimes.com/2012/07/13/business/economy/in-latest-data-economists-see-signs-of-pickup.html “In Latest Data on Economy, Experts See Signs of Pickup” WL)

Despite the recent run of disappointing economic data, a broad range of experts and forecasters expect the economy to improve slightly in coming months, thanks to lower oil prices and new signs of life from sectors like automobiles and housing.¶ Economists at many of the most-watched forecasting organizations, both public and private, expect growth to pick up through the summer and into the fall, although only to a pace broadly considered sluggish, if not dismal.¶ This week, Macroeconomic Advisers, an economic consultancy often cited by policy makers, estimated the annual rate of growth in the second quarter at just 1.2 percent — well below the pace needed to reduce the unemployment rate. But the firm also projected growth to accelerate to around 2.4 percent in the third quarter.¶ “The pace of economic growth is picking up, but not to a rate that is very robust,” said Joel Prakken, the chairman of Macroeconomic Advisers. “It certainly is no great shakes.”¶ Forecasters, including those at the Federal Reserve, have been overly optimistic at several points during the slump of the last few years, of course. But the recent fall in oil prices and the stabilization of the housing market do give some gravitas to the current predictions.¶ On Thursday, the Labor Department reported that new claims for jobless benefits dropped to their lowest level in four years, at 350,000 a week. Analysts said they were unsure how much of the decline stemmed from an actual improvement, as opposed to temporary factors in the auto industry.¶ The pace of economic growth will have huge implications for a country still trying to emerge from the worst downturn in 70 years amid a presidential campaign that will most likely turn on the economy.¶ United States growth began to surge in late 2011 and early 2012, before slowing significantly in the spring. Some of the recent headwinds — like a re-escalation of the euro zone crisis, households that are paying down their debt, and a falloff in growth in big emerging markets, like China and Brazil — remain.¶ With tax increases and across-the-board government budget cuts looming at the end of the year — unless Congress acts to change the law — some economic experts are wary.¶ “The soft patch could easily extend through year-end or almost a full year,” Steven Ricchiuto, the chief economist at Mizuho Securities USA, wrote in a note to clients on Thursday. “Companies are unlikely to hire, invest in new plants and equipment or build inventory. This pullback could very well last through year-end as the chances of any movement on the fiscal front are unlikely until after the election.”¶ The weaker-than-expected spring data has raised speculation that the Federal Reserve might announce a new round of bond buying this summer to spur growth. Some Fed officials want further action because they are not confident the economy will pick up soon.¶ But other headwinds have started to slack, leading some economists to believe that jobs and growth numbers will track up modestly.¶ Perhaps most significant is the falling price of oil. Gas prices rose steadily from January through March on concerns over a confrontation with Iran as the United States and its allies cut the producer out of the petroleum market. But tensions have faded and gas prices have fallen to $3.38 a gallon today from above $3.90 a gallon in April, which has left more money in American consumers’ wallets and businesses’ ledgers. Every penny that the price of gas falls leaves about a billion dollars in American pockets over the course of a year, economists estimate.¶ The lower gas prices “will take a few months to show up” in consumer spending and confidence numbers, said Mr. Prakken of Macroeconomic Advisers. But it should lead to higher sales for businesses and greater optimism among households.¶ James Bullard, the president of the Federal Reserve Bank of St. Louis, said that he saw “modestly improving economic growth during the second half of 2012, along with a slow and intermittent decline in unemployment,” when he spoke in London this week.¶ Economists pointed to surging new car sales as a good economic indicator: a sign that households are confident enough to make a major purchase and that they are accessing the credit markets. It is also a boon for auto businesses — the auto industry reported a 22 percent jump in sales in June, with some carmakers reporting that revenue increased as much as 60 percent year-on-year.¶ “The surge in car sales is disproportionately important,” said Ian Shepherdson, an economist and forecaster at High Frequency Economics. “It means that you’re willing and able to take out a loan — and that’s quite a good sign.”¶ Moreover, there are accumulating signs that housing has turned around, perhaps auguring a rise in residential investment, an upturn in construction jobs and growing sales.¶ “I do think that the economy is stronger than the recent data would suggest,” said Mark M. Zandi, the chief economist of Moody’s Analytics. “We’ve had the numbers say underlying job growth is at 80,000 jobs a month, where we could see 150,000 jobs a month. Or G.D.P. at 2 percent, where it’s really at 2.5 percent. That will become evident later in the year.”¶ Some economists pointed to private forecasts showing a stronger June than the one depicted in government reports. A Bureau of Labor Statistics survey showed that employers added just 80,000 new positions that month — not enough to bring the unemployment rate down from its elevated rate of 8.2 percent.¶ But a closely watched monthly survey showed that private sector employers added a strong 176,000 jobs in June.¶ “Everybody has argued that A.D.P. got it wrong,” said Mr. Shepherdson, of the survey. “But it’s a big survey, and a good survey. Maybe the Bureau of Labor Statistics got it wrong.”¶ Mr. Prakken said the initial unemployment claims “suggest that the labor market has not fallen out of bed.” He added, “There’s been a pause in hiring, a momentary pause in hiring.”

**Economy growing now.**
Targeted News Service 12

(6-22-12, MAPI Quarterly U.S. Industrial Outlook: Modest Improvement in Manufacturing Forecast in 2012, Slower Growth for GDP/PQ. bcd)

"We forecast that GDP growth will increase at annual rates of 2.1 percent over the next five quarters," Meckstroth said. "These growth rates are categorized as a relatively modest pace and well below what would be considered normal for an expansion following a severe recession. Consumers are deleveraging and are reducing debt and therefore can only increase spending commensurate with employment and wage growth."¶ The report offers economic forecasts for 24 of the 27 industries. MAPI anticipates that 18 of these will show gains in 2012, 3 will remain flat, and 3 will decline. The engine, turbine, and power transmission equipment sector will grow by 32 percent and housing starts will see a 22 percent increase. Broad-based advances should occur in 2013 with growth likely in 23 of 24 industries, led by housing starts at 35 percent. Public works construction is the lone industry expected to decline in 2013, by 2 percent.¶ MAPI forecasts that industrial production will increase 5.2 percent in 2012, up from 4 percent in the March report, and 3.3 percent in 2013, down from 3.5 percent in the previous forecast. Manufacturing production should outperform GDP growth, which MAPI estimates will be 2.2 percent in both 2012 and 2013.¶ According to the report, non-high-tech manufacturing production (which accounts for 90 percent of the total) is anticipated to increase 5.5 percent in 2012 and 3.2 percent in 2013. High-tech industrial production (computers and electronic products) is projected to expand by 5.3 percent in 2012 and show 7.7 percent growth in 2013.¶ Eighteen of the 27 industries MAPI monitors had inflation-adjusted new orders or production above the level of one year ago (the same as reported in MAPI's March 2012 report), eight declined, and one was flat. Engine, turbine, and power transmission equipment grew by 36 percent in the three months ending April 2012 compared to the same period one year earlier, while housing starts improved by 28 percent in the same time frame.¶ The largest drop came in domestic electronic computers, which declined by 12 percent.¶ Meckstroth reported that 8 industries are in the accelerating growth (recovery) phase of the business cycle; 10 are in the decelerating growth (expansion) phase; 7 are in the accelerating decline (either early recession or mid-recession) phase; and 2 are in the decelerating decline (late recession or very mild recession) phase of the cycle.

#### American economy on the rise

Dion Global Solutions 7-18

(7-18-12, “American factories still resilient amid deepening global slump”, Gale, ns)

America is not going down so easily even as a growing global economic gloom knocks on the doors of the world's largest economy. A rebound in industrial output certainly shows the resilience of the US economy to the deepening global economic slump.¶ Output at mines, factories and utilities or overall industrial output rose 0.4 per cent in June 2012 from the previous month, the Federal Reserve reported on Tuesday.¶ In May 2012, industrial output fell 0.2 per cent from the previous month.¶ Manufacturing, which accounts for 75 per cent of total industrial output, rose an impressive 0.7 per cent last month, a sign that American factories are still running and churning goods despite a worsening world economy.¶ The latest data raises hope that manufacturing, the pillar of the US economy, is holding up despite a gloomy global outlook that is curbing overseas demand. The latest data also tempers fears over a deepening slowdown in the US economy.¶

#### **US economy slowly recovering now**

Economist 12

("Points of light; America's economy." The Economist [US] 14 July 2012: 22(US). General Reference Center GOLD. Web. 19 July 2012.MPH)

Consumers are now engaged in a long, hard process of shedding debt and learning to live within their means. This is essential, but it has a price: an uncommonly feeble recovery. In the three years since the recession ended, GDP has grown by an average of 2.4%. This year it may not reach even that. On July 6th the government reported that jobs figures, excluding jobs on farms, rose by just 80,000 (less than 0.1%) in June, the third straight month of meagre growth, and unemployment remained at 8.2%. Emerging markets are slowing, Europe remains in crisis, and at home businesses worry that political deadlock will force dramatic tax increases and cuts in federal spending at the end of the year.¶ Although America's overall growth may indeed by unimpressive, its components show some intriguing shifts. Consumer spending and housing contributed just 65% of growth. Exports contributed 43%, one of the strongest showings in any recent economic recovery (see chart 1 on previous page). Other components, such as business investment, imports and government spending, added to or subtracted from growth, roughly offsetting each other.

#### US economy improving now – auto industry.

Global Insight ‘12

(Global Insight, “North American Economy Gets Boost from Record Production at Japanese Automakers”, 7/19/12, lexis, ps)

Production is booming as inventory is being rebuilt and demand being met, all of which is putting people back to work. The United States' economy may still be improving at a very slow pace, but much of that improvement is being driven at the local level by record levels of auto manufacturing, particularly by Japanese automakers, reports Bloomberg News. Coming off a very difficult year, in which the Japanese automakers saw production hampered severely by the impact of the March 2011 earthquake and tsunami in northern Japan, nearly all of the companies producing vehicles in North America have seen production not only return to pre 3/11 levels, but even surpass it. Toyota is on track to produce a record number of vehicles in the region this year, with production up 66% in the first half of the year to 944,570 units, a 374,429-unit increase from the year-ago period. Honda's gain is even greater, up 75% year-on-year (y/y) to lead the industry, producing a record 894,196 vehicles in North America.

This is affecting the US economy as well, as the favourable exchange rates versus both the yen and the euro have provided a major boost to North American manufacturing. European automakers are also taking advantage of it by using US production as an export base, with both Mercedes-Benz and BMW building expensive SUVs in the US, and exporting them abroad to growth markets like China, Brazil, and Russia. Japanese automakers are exporting to South Korea, taking advantage of a new free trade agreement. While these levels are not likely to say, tilt the balance of the trade deficit between the US and China, they are the start of a trend that could see the region used increasingly for such exports during the rest of the decade. This means more jobs for the region, and hopefully a kick-start to what is still a fairly tepid economic recovery.

#### U.S. business conditions good

Cohn, writer for the New York Times, 7/18

 (Michael, 7/18/12, <http://www.accountingtoday.com/news/accountants-economy-acca-ima-63342-1.html>, “Accountants See U.S. Economy Improving, China Slowing”, kaw)

Despite the slowdown this year of the economic recovery, financial professionals surveyed by the Association of Chartered Certified Accountants and the Institute of Management Accountants believe that business conditions in the U.S. are improving, but they worry about conditions abroad.¶ The survey by the ACCA and IMA of 2,700 professional accountants found that growth across the world's most developed economies stalled again, and the global economy remains fragile. China’s slowing economy dominated the survey findings, although ACCA and the IMA emphasized that there are few signs of the hard landing feared by many commentators. Both confidence and investment showed signs of decline, despite increasing business opportunities.¶ “The point now is to see how far and how fast the Chinese slowdown will travel,” said ACCA senior economic analyst Manos Schizas, who edited the survey. “Our members in Africa tend to feel any fallout from Asia fairly quickly, and there could be implications for other markets that trade with China."¶ The flip side of the Chinese slowdown is a recovery for the U.S. economy, where investment is on the rise and confidence is high, the survey found, despite significant potential problems.¶

#### The US trade deficit has begun to drop noticeably

NYT 7/12 (New York Times, U.S. Trade Deficit Declined in May, July 12 2012, jmb)

WASHINGTON (AP) -- The United States trade deficit narrowed in May from April, helped by cheaper oil that reduced imports and an increase in exports to Europe and China.¶ But economists cautioned that the global economy had weakened since then. And they noted that the decline in the deficit did not change their growth forecasts for the second quarter.¶ The Commerce Department said on Wednesday that the trade deficit fell 3.8 percent to $48.7 billion in May, down from $50.6 billion in April.¶ Exports rose 0.2 percent to $183.1 billion. The increase reflected stronger sales of telecommunications equipment and heavy machinery. Exports to the 27-nation European Union rose 2.6 percent in May from April. Imports dropped 0.7 percent to $231.8 billion. The amount the United States spent on imported oil fell to the lowest level in 15 months.¶ A narrower trade gap means the United States is spending less on foreign products, while taking in more from sales of American goods.¶ ''It is always nice to see the trade deficit narrow, but I am not sure this will continue,'' said Joel L. Naroff, chief economist for Naroff Economic Advisors. ''The sharp decline in oil prices has faded, and the economies in Europe and Asia have weakened further.''¶ A separate Commerce Department report showed that American wholesale companies added modestly to their stockpiles in May. But sales at the wholesale level dropped by the largest amount in three years. That could prompt companies to restock more slowly in the coming months, which could weigh on growth this year.¶ Wholesale stockpiles rose 0.3 percent in May after a 0.5 percent increase in April, which was reduced from an initial report of a 1.1 percent gain. But sales at the wholesale level fell 0.8 percent in May, the biggest decline since March 2009.¶ American manufacturing has weakened this year, hurt by Europe's financial crisis and slower growth in China. Sluggish job growth and meager pay increases have made American consumers more cautious about spending. Consumer spending drives roughly 70 percent of economic activity.¶ Paul Ashworth, chief United States economist at Capital Economics, said he did not expect growth to increase from the first quarter's tepid 1.9 percent annual pace. He forecast annual growth of 1.5 percent to 2 percent in the second quarter.¶ Growth in American exports will slow further ''given the sharp slowdown in economic growth in Europe and Asia,'' Mr. Ashworth said. He predicted that trade would be a drag on growth in the second half of this year ''and probably through 2013 as well.''

#### US Trade deficit is dropping linearly

Action Economics Alert 7/11

( 7/11/12, "The U.S. Trade Deficit Narrowed," Action Economics Alert, lexus, znf)

The U.S. trade deficit narrowed to $48.7 bln in June, thanks to an expected petroleum import drop, after a decline to $50.6 (was $50.1) bln in April from $52.6 bln in March. We expect a further trade deficit drop to the $45 bln area in June, as the $3.2 bln May petroleum import decline is followed by a larger $4 bln June drop, versus the $0.4 (was $0.5) bln April decline. We still assume a 1.6% Q2 GDP growth clip that undershoots the 1.9% Q1 pace thanks partly to a $14 bln Q2 net export subtraction that follows $3.8 bln Q1 add to growth. We expect real export growth of 4% in Q2, following a 4.2% Q1 rate. We expect Q2 import growth of 6%, following a 2.7% Q1 rate. We expect a Q2 drop in the current account deficit to $129 bln that half-reverses the Q1 pop to $137.3 bln from a $118.7 bln in Q4, versus a peak-gap of $214.4 bln in Q3 of 2006. We peg the 2012 current account gap at $504 bln, versus prior gaps of $466 bln in 2011, $471 bln in 2010, and a record $801 bln back in 2006.

#### US trade deficit decreasing now

Gupta, writer for 123jump.com, july 11

(Arthi, 7-11-12, [http://www.123jump.com/market-update/U.S.-Trade-Deficit-Narrows,-Stocks-Lower-Ahead-of-Minutes/49356/1](http://www.123jump.com/market-update/U.S.-Trade-Deficit-Narrows%2C-Stocks-Lower-Ahead-of-Minutes/49356/1), “U.S. Trade Deficit Narrows, Stocks Lower Ahead of Minutes,” ks)

¶ 11:00 AM New York – U.S. indexes traded sideways after trade deficit contracted and wholesale inventories increased in May. Unit Corp agreed to acquire certain oil and natural gas properties from Noble Energy for $617 million.¶ ¶ U.S. indexes traded sideways and trade deficit declined and Spain proposed additional austerity measures to meet bailout conditions and Germany sold debt today at record low yields.¶ ¶ Investors are also awaiting the release of Fed minutes of the latest meeting later in the day. The euro traded near 2-year low against the dollar.¶ ¶ Spain''s Prime Minister Mariano Rajoy unveiled tax increases and spending cuts to reduce the budget deficit by €65 billion over two years.¶ ¶ Rajoy said at a speech to lawmakers, “We have very little room to choose” and added “I pledged to cut taxes and now I am raising them. But, the circumstances have changed and I have to adapt to them.”¶ ¶ Some of the austerity measures include raising the value-added tax to 21% from 18%, reducing jobless claim benefits by 10% after six months, and imposing salary cuts for government employees and foregoing of Christmas bonus.¶ ¶ Separately, Greek Finance Minister Yiannis Stournaras said the government requires another €3 billion to cover its short-term funding requirements.¶ ¶ A report from the International Labor Organization stated that unemployment in the euro-zone could reach almost 22 million over the next four years, up from 17.4 million.¶ ¶ Asian markets closed mixed tracking weak U.S. earnings and European economic worries. Investors look ahead to the two day policy meeting of the Bank of Japan beginning today for some economic cues.¶ ¶ U.S. Trade Deficit Narrows¶ ¶ The U.S. trade deficit narrowed in May, according to data released by the U.S. Commerce Department today.¶ ¶ In the month of May exports edged up $183.1 billion and imports declined to $231.8 billion in May resulting in a goods and services deficit of $48.7 billion, down from the revised $50.6 billion deficit in April.¶ ¶ Exports in May were $0.4 billion more than April exports of $182.7 billion and May imports were $1.6 billion less than April imports of $233.3 billion.¶ ¶ The goods and services deficit increased $1 billion from a year ago month.¶ ¶ U.S. Wholesale Inventories Rise¶ ¶ U.S. wholesale inventories at a seasonally adjusted level were $484.1 billion in May, a 0.3% increase from April levels, according to data released by the U.S. Commerce Department today.¶ ¶ On an annual basis, U.S. wholesale inventories rose 6.4% from May 2011 levels.¶ ¶ Unit Corp. to Acquire Certain Assets from Noble Energy¶ ¶ Unit Corp., the energy company said its wholly owned subsidiary, Unit Petroleum Company agreed to acquire certain oil and natural gas properties in western Oklahoma and the Texas Panhandle from Noble Energy, Inc. for $617.1 million in cash.¶ ¶ Unit Corp expects the acquisition to be immediately accretive to cash flow and earnings beginning in 2013.

#### United States trade deficit is decreasing now

TNS 7-12

"Travel Exports Grow Twice as Fast as Overall Exports Through May 2012." Targeted News Service [TNS] 12 July 2012. Infotrac Newsstand. Web. 19 July 2012.

WASHINGTON, July 11 -- The U.S. Travel Association issued the following news release:¶ David Huether, senior vice president of economics and research at the U.S. Travel Association, provides analysis on today's Commerce Department announcement on international trade:¶ "The Commerce Department reported today that after falling slightly in April, U.S. exports edged up in May, decreasing the trade deficit to $48.7 billion. Travel exports also rebounded in May, increasing by $60 million. This growth was three times more than the $20 million increase in overall goods exports and accounted for 17 percent of the increase in total exports.**¶** "The growth in travel exports continues to assist in narrowing the nation's international trade deficit. Through the first five months of the year, travel exports increased 12 percent from the same period in 2011, double the six percent increase of overall exports.

#### Trade gap shrinking now

The Telegraph ’12

(The Telegraph, 7-11-2012, <http://www.lexisnexis.com.proxy1.cl.msu.edu/hottopics/lnacademic/>, AP)

The gap shrank 3.8pc to $49bn (£31bn), the US Commerce Department said. Cheaper oil from abroad also helped reduce the trade deficit.? American companies slammed the brakes on hiring in the second quarter, a warning sign the recovery from the 2007-2009 recession is faltering.? Many economists think economic growth slowed in the second quarter, with companies holding back due to fears of Europe's debt crisis as well as US government plans for severe belt tightening in 2013.? Exports have been a key support for the economy since the recession.? "At least as of May the situation in Europe wasn't leading to some kind of collapse in trade," said David Resler, an economist at Nomura Securities in New York.? Exports climbed 0.2pc, rising across categories from capital goods and industrial supplies to consumer goods. Imports fell 0.7pc.? Still, Europe's problems and signs of cooling growth in China suggest demand from abroad might weaken.? "While the positive momentum in export activity provides some encouragement on the tone of overall global economic activity, it is unlikely to be sustained in the coming months," said Millan Mullraine, an economic strategist at TD Securities in New York.? Earlier this month, a private survey showed activity at US factories declining in June, with new orders falling, including those for exports.

#### US unemployment decreasing

Independent Television News Limited 7-18

(NQA, 7-18-12, “Jobless total falls for fourth month”, Gale, ns)

Unemployment has fallen for the fourth month in a row, according to new figures released on Wednesday.¶ The statistics also show more jobs are being created, especially for people over the age of 65.¶ The jobless total fell by 65,000 to 2.58 million in the three months to May, the lowest for almost a year, while the number of people in employment increased by 181,000 to just under 30 million, the highest for almost four years.¶

#### Statistics and trends forecast optimistic job rates

Norris, chief financial correspondent of The New York Times and The International Herald Tribune, 7/15

(Floyd, 5-29-12, “Jobless rate in U.S. isn't all bad news”, TVB)

"The latest report held some very good news, which was widely overlooked," said Ed Yardeni, of Yardeni Research, an economist and longtime Wall Street strategist. "This could very well lead to surprising strength in retail sales in June and July."¶ He pointed to a Labor Department index of total hours worked, which rose to the highest level since 2008, and to an index of total private sector payrolls. As can be seen in the accompanying charts, that index, after being basically flat for three months, accelerated.¶ As a result, he said, "consumer spending should soon show renewed vigor." The fact that those with jobs are working longer hours may eventually lead to an uptick in hiring, but few expect rapid improvement. The minutes of the June meeting of the Federal Open Market Committee, released in the past week, said most members of that policy-making panel of the Federal Reserve had reduced their expectations of employment growth.¶ A slow decline in the unemployment rate, now at 8.2 percent, would be unimpressive when compared with past recoveries, a point Republicans are sure to make often as President Barack Obama seeks re-election.¶ But if the U.S. economy were to be graded on a curve - measured against the performance of other countries - that performance might seem very impressive.¶ The Organization for Economic Cooperation and Development, whose members include all of the large industrialized countries, issued its annual employment outlook report during the past week, forecasting rising unemployment in many countries.¶ An accompanying chart shows the forecasts for unemployment rates in all 34 countries that belong to the organization. The figures for each year are the average of the monthly numbers, so the forecast of 8.1 percent in 2012 for the United States implies that the rate will fall below 8 percent by late 2012. The average for 2013 is predicted to be 7.6 percent, 1.3 percentage points below the 2011 rate.

#### U.S. jobless claim fallen to lowest level in four years.

Bond, reporter and FT.com editor, 7/12

(Shannon, 7-12-12, FT.com, “US trade gap narrows as oil prices fall”, ProQuest)

US jobless claims fell to 350,000 last week, the lowest level in more than four years, in an unexpected sign of improvement in the labour market.¶ The drop of 26,000 from the previous week surprised economists who had predicted a slighter decline to 372,000.¶ However, the labour department noted that some of the decrease may be due to fewer temporary lay-offs in the auto industry. Ford and Chrysler announced earlier this year that they would keep factories running in July to meet strong demand. That may have led fewer auto workers to file for unemployment benefits, suggesting that the apparent strength may not reflect a deeper improvement in employment.¶ John Ryding and Conrad DeQuadros at RDQ Economics said: "The claims data in early July are far less useful than normal in judging the underlying state of the labour market. It will take two or three weeks for this distortion to the claims data to unwind, which means this report will be of little use in forming early opinions on the July employment data."¶ The four-week moving average of claims, which smooths out volatility, fell 9,750 to 376,500.¶ The pace of hiring at US companies has slowed in recent months amid uncertainty over the global economy and the strength of the US recovery. Employers added just 80,000 jobs in June, continuing a run of weak employment figures in the second quarter after a pickup in job creation at the beginning of the year.¶ Continuing claims fell 14,000 to 3.3m in the week ending June 30, while the number of people who have expended traditional benefits and are now receiving emergency assistance fell to 2.6m in the week ending June 23.

#### US Unemployment Rate Dropping

Benzinga 7/11

( 7/11/12 "Initial Jobless Claims Fall to March 2008 Lows," Benzinga, lexis, znf)

In its weekly report, the U.S. Department of Labor said for the week ending July 7 that the advance figure for seasonally adjusted initial claims was 350,000. This reading was better than the consensus estimate of 372,000, and decreased 26,000 from the previous week's revised figure of 376,000.ｶ Initial jobless claims data measure the number of individuals filing for jobless benefits for the first time during the previous week. A lower-than-expected reading is typically a positive signal about the U.S. job market, as more people remain employed.ｶ When emerging unemployment is low and less than expected, it indicates a relatively healthy or recovering economy.ｶ Thursday, the initial jobless claims' four-week moving average was 376,500, decreasing 9,750 from the previous week's revised average of 386,250.

#### Unemployment benefits dropped early July

The Times 7-13

"Economics." Times [London, England] 13 July 2012: 34. Infotrac Newsstand. Web. 19 July 2012

Mortgages: British home lending bounced back in May, jumping by a third compared with the prior month, according to the Council of Mortgage Lenders. Some 48,300 loans for home purchase were advanced during the month, worth [pounds sterling]7.2 billion.¶ United States: Unemployment benefit claims dropped by 26,000 last week to 350,000, the lowest level since March 2008, in a sign of fresh life for the labour market.

#### Unemployment Trends Good – More important than weekly numbers

Ricker 6/20

(Robert, Minnesota Daily News, 6-20-12, <http://www.mndaily.com/2012/06/20/president-obama-reversing-unemployment-trends-unique-amongst-world-leaders>, “President Obama reversing unemployment trends, unique amongst world leaders” WL)

The Republican Party wants us to believe that the unemployment rate of 8.2 percent reflects negatively on President Barack Obama’s economic policies. My question is: compared to what?¶ The euro area’s current unemployment is 11 percent, with major countries like Spain sitting at 24 percent unemployment. Larger trading partners, such as France and India, are home to unemployment rates well above 9 percent, with smaller countries such as Greece, Italy and Egypt at double digit unemployment.¶ In 2009 our unemployment during the current recession reached 9.9 percent. At that time the United Kingdom was at 8.1 percent. Today our unemployment has gone down to 8.2 percent, and the U.K. has stayed relatively stable at 8.2 percent, whereas the rest of the euro area has only gotten worse.¶ If Obama is doing a poor job, then what are we comparing him to? Obama was at least able to reverse the trend in unemployment during the worst worldwide recession in our nation’s history — something that Europe has failed to do thus far.

Employment Rates Increasing in Multiple different Fields

U.S. Labor of Bureau of Labor Statistics, 7/6/12

 **(**BLS, http://www.tradingeconomics.com/united-states/unemployment-rate, “U.S. economy adds 80K jobs in June, Unemployment at 8.2%”. bcd)

 Nonfarm payroll employment continued to edge up in June (+80,000), and the unemployment rate was unchanged at 8.2 percent, the U.S. Bureau of Labor Statistics reported today., and employment in other major industries changed little over the month. ¶ ¶ ¶ The number of unemployed persons Professional and business services added jobs (12.7 million) was essentially unchanged in June, and the unemployment rate held at 8.2 percent.¶ ¶ Among the major worker groups, the unemployment rate for blacks (14.4 percent) edged up over the month, while the rates for adult men (7.8 percent), adult women (7.4 percent), teenagers (23.7 percent), whites (7.4 percent), and Hispanics (11.0 percent) showed little or no change. The jobless rate for Asians was 6.3 percent in June (not seasonally adjusted), little changed from a year earlier.¶ ¶ In June, the number of long-term unemployed (those jobless for 27 weeks and over) was essentially unchanged at 5.4 million. These individuals accounted for 41.9 percent of the unemployed. ¶ ¶ Total nonfarm payroll employment continued to edge up in June (+80,000). ¶ ¶ Professional and business services added 47,000 jobs in June, with temporary help services accounting for 25,000 of the increase. Employment also rose in management and technical consulting services (+9,000) and in computer systems design and related services (+7,000). Employment in professional and business services has grown by 1.5 million since its most recent low point.¶ ¶ Employment in manufacturing continued to edge up in June (+11,000).Employment continued to trend up in health care (+13,000) and wholesale trade (+9,000) in June.¶ ¶ Employment in other major industries, including mining and logging, construction, retail trade, transportation and warehousing, financial activities, leisure and hospitality, and government, showed little or no change.¶ ¶ The change in total nonfarm payroll employment for April was revised from +77,000 to +68,000, and the change for May was revised from +69,000 to +77,000.

#### US jobless claims down

The Bond Buyer 12

("Jobless Claims Fall 26,000 to 350,000 in Week Ended July 5." The Bond Buyer 13 July 2012. General Reference Center GOLD. Web. 19 July 2012, MPH)

WASHINGTON - Initial claims for U.S. state unemployment benefits plunged by 26,000 to 350,000 in the July 7 holiday week, the lowest level since 348,000 in the March 8, 2008 week, as the impact of auto retooling shutdowns was smaller than seasonal adjustment factors has expected, the Labor Department reported Thursday.¶ The median estimate of economists surveyed by MNI was for 370,000, a drop of 4,000 from the initially reported 374,000 level in the June 30 week. That week's claims level was revised up slightly to 376,000.¶ A Labor Department analyst said that first week of July is typically marked by a surge in manufacturing retooling shutdowns, particularly in the auto production industry. In addition, the beginning of a new quarter as well as the Independence Day holiday typically complicate the claims data in the first week of July. No states were estimated in the current week, the analyst said.¶

#### Unemployment rate decreasing

Shell 12

(Adam, USA Today journalist, Feb 6 “Job gains fueling stock gains; Investors hope hiring continues,” <http://www.lexisnexis.com.proxy2.cl.msu.edu/hottopics/lnacademic/> L/N lj)

"It's the job market, stupid!" is fast becoming the new refrain on Wall Street, which is enjoying its biggest early-year stock market surge since 1987 amid a sharp drop in the unemployment rate.¶ The stubbornly high jobless rate, which has been a nagging headwind for stocks, is morphing into a tailwind, as the percentage of people without jobs fell in January for the fifth month in a row. The government said Friday that 243,000 jobs were created last month, more than 100,000 above what economists expected.¶ More important, the U.S. unemployment rate fell from 8.5% to 8.3%, its lowest in three years.¶ Historically, the Standard & Poor's 500 index has posted its best gains in periods when the unemployment rate has been above 6% but down from its level three months earlier, says Ned Davis Research. Since 1948 stocks have been up nearly 17% a year, on average, when the jobless rate has been "dropping from such high levels," says NDR investment strategist Tim Hayes.¶

#### Unemployment slows down

Asian News International, July 6,

(Asian News, 7-6-12, “Obama gets good economic news with unemployment rate marking slow down Source: Asian News International”, gale, rs)

Washington, July 6 ( ANI ): The unemployment rate in the United States has marked a slow down, which is the first positive economic news for President Barack Obama in more than a month, economists have said. ¶ According to New York Daily News, the US Labor Department has reported that there were 374,000 first-time unemployment claims last week, the lowest weekly total since May 19. ¶ Plus, following encouraging fiscal news from Europe, Obama was able to breathe a sigh of relief when the Labor Department released the nation's first positive economic news in weeks. ¶ The 374,000 initial claims for unemployment aid last week have gone down from 380,000 the week before, according to the federal government. ¶ The week's total is the lowest since May 19. It's a sign that layoffs are slowing down and that a wave of hiring could be on the horizon, according to economists. ¶ The number of people who apply for benefits generally provides a measure of the pace of layoffs, and when it falls below 375,000, the unemployment rate usually drops.

#### Joblessness Claims Fall

Benzinga, 6/12

(7-12-12, “Initial Jobless Claims Fall to March 2008 Lows”, Benzinga, LexisNexis, jn)

In its weekly report, the U.S. Department of Labor said for the week ending July 7 that the advance figure for seasonally adjusted initial claims was 350,000. This reading was better than the consensus estimate of 372,000, and decreased 26,000 from the previous week's revised figure of 376,000.¶ Initial jobless claims data measure the number of individuals filing for jobless benefits for the first time during the previous week. A lower-than-expected reading is typically a positive signal about the U.S. job market, as more people remain employed.¶ When emerging unemployment is low and less than expected, it indicates a relatively healthy or recovering economy.¶ Thursday, the initial jobless claims' four-week moving average was 376,500, decreasing 9,750 from the previous week's revised average of 386,250.¶ Continuing jobless claims measure the number of unemployed individuals who continue to be eligible for unemployment benefits.¶ The U.S. Department of Labor said the advance number for seasonally adjusted insured unemployment, during the week ending June 30, was 3,304,000. This number was worse than the consensus estimate of 3,300,000, and decreased 14,000 from the preceding week's revised level of 3,318,000.¶ The four-week moving average for continuing jobless claims increased 1,250 on Thursday. The average moved to 3,308,500 from the preceding week's revised average of 3,307,250.¶ U.S. equity futures were slightly higher immediately after the 8:30 a.m. ET release.¶

#### **Global Economy improving**

The Main Wire 12 (July 18, Market News International, “Goldman's Blankfein: World Economy Growing, BRICS Thriving” <http://www.lexisnexis.com.proxy2.cl.msu.edu/hottopics/lnacademic/>, lj)

The global economy is continuing to recover in the wake of the 2008 financial crisis and emerging markets are becoming even more viable in the global marketplace, Goldman Sachs CEO Lloyd Blankfein said Wednesday.¶ Blankfein discussed his view regarding the future of the global economy at a conversation hosted by the Economic Club of Washington.¶ "This is going to be the century of BRICS," he said. "The genie is out of the bottle and it's just going to keep on growing."¶ "Those countries that have much more of their wealth and growth predicated on commodities will have a better time while the world is growing and not as good of a time when the world isn't," he warned.¶ BRICS is the grouping acronym that refers to the leading emerging market economies of Brazil, Russia, India, China, and possibly, South Africa.¶ Blankfein said the U.S. would do well to invest in BRICS because it is "easier to forecast ten years forward than ten months."¶ Blankfein also discussed the European sovereign debt and banking crises and the future of the euro.¶ He said, "I'm worried and I think it will survive. There are not insignificant possibilities that there could be an unraveling, but I don't doubt the intensity of government and business leaders. They want to preserve the eurozone."¶ Blankfein cited flawed governance and structure of the eurozone as reasons for the downfall of the euro. "It's a form of federalism with very incomplete mechanisms for achieving the results that are sought," he said.¶ Speaking on the slow U.S. recovery, Blankfein said "the sentiment is very bad, but for real reasons."¶ "But there is a cycle and a rhythm to things. I'm optimistic because statistically, things do work out," he added.¶ And as the November presidential election approaches, the Goldman chief noted the U.S. political climate will affect fiscal policy.¶ "If you want to manage the country, you'd better not leave a 49% minority ... trying to undermine you and biding its time so it can reverse your majority," Blankfein said.

### Heg Advantage

**The plan isn’t key to growth**

**Tate 12** (Curtis, McClatchy Washington Bureau, “As states seek funds for deeper ports, will ships come in?”, <http://www.mcclatchydc.com/2012/05/02/v-print/147455/as-states-seek-funds-for-deeper.html>, ZBurdette)

A wider, deeper Panama Canal will open in 2014, meaning that bigger cargo ships filled with more containers of consumer goods can move directly to the population centers of the East Coast instead of stopping on the West Coast and sending the goods across the country.

States with seaports along the Atlantic are asking for hundreds of millions of federal dollars to deepen their harbors and shipping channels to accommodate the bigger ships and capture a slice of the growing traffic.

But some global supply-chain experts say the optimistic pre-recession projections of a huge shift in cargo from West Coast ports to East Coast ports no longer add up. Even the U.S. Army Corps of Engineers, which conducts feasibility studies for such projects and often does the dredging, expects little change in cargo volume at those ports.

John Lanigan, the chief marketing officer for freight rail hauler Burlington Northern Santa Fe, which runs dozens of double-stacked container trains every day from West Coast ports to the Midwest and Southeast, said he didn’t expect a major diversion of cargo to the canal.

“The opening of the canal is not going to make it any faster for freight to get to the East Coast,” he said. “The only thing that really changes is that bigger ships will be able to go through the canal.”

Even so, Republican governors in South Carolina, Georgia and Florida, who were elected on platforms of fiscal conservatism, are still hoping that the federal government will pay for some of the cost of the harbor-deepening projects. But just in case the federal funding doesn’t come through, these states have a backup plan: Spend state taxpayers’ money.

Currently the biggest ships that can fit through the Panama Canal can carry only about 4,000 containers, metal boxes full of consumer goods that can be transferred from ship to train to truck. The new, so-called post-Panamax ships will carry double or triple that volume. But because the ships are bigger and heavier, they also require water depths approaching 50 feet.

The ports of Norfolk, Va., Baltimore, and New York and New Jersey have that depth now or will soon. Farther south, the ports in Charleston, S.C., Savannah, Ga., and Miami don’t want to see the bigger ships pass them by.

“I don’t know too many ports that have gambled on shallow water that have stayed in the game,” said Kevin Lynskey, the assistant director for seaport business initiatives at the Port of Miami. “If we didn’t dredge and other people did, we certainly would lose more containers.”

Proponents of harbor-deepening projects say they’re vital for local and state economies and will create thousands of jobs in a country that’s still reeling from the deepest economic downturn since the Great Depression.

“It’s the biggest strategic issue for South Carolina today,” said Jim Newsome, the chief executive of the South Carolina Ports Authority, which needs $300 million to deepen the 45-foot harbor in Charleston to 50 feet by 2020. “Businesses locate near ports; that’s the bottom line.”

But Jean-Paul Rodrigue, a transportation scholar at Hofstra University, said it didn’t make sense for Charleston, Savannah and Miami all to have deeper harbors without more business.

“You need a lot of volume,” he said. “It’s not certain those ports can generate that level of volume.”

Several factors make a significant shift from one coast to the other unlikely. The first is speed. It’s less expensive for a ship to go the all-water route to the East Coast instead of docking on the West Coast and offloading containers onto trucks or trains, but it also takes at least a week longer. For consumer electronics and other high-end goods that need to get to store shelves quickly, retailers will pay more for faster transit times.

Second, ports in Los Angeles, Long Beach and Oakland, Calif., and Seattle and Tacoma, Wash., are deep enough to handle the bigger ships. They have warehousing space for containers, and they have highly developed rail connections to the Midwest and Southeast.

“Why not just unload all of it here?” asked Art Wong, a spokesman for the Port of Long Beach, which is second only in volume to Los Angeles in the U.S. “We hope to maintain those kinds of advantages.”

Third, the Panama Canal authority must pay off billions of dollars in construction costs, and it’s unknown how much the canal will charge the bigger ships in tolls. Last, the Suez Canal can handle any size ship, and some cargo ships bound from Asia to North America already use it.

“Depending on what Panama Canal charges in fees, it still makes economic sense to hit LA-Long Beach and be in Kansas City, Chicago or Louisville pretty darn quick,” said Charles Clowdis, the managing director of North American markets at economic forecaster IHS Global Insight.

Rodrigue said the Atlantic states were using the canal as a rationale for their own port expansion plans.

“If I was a port authority, I would be doing the same thing,” he said. “They want to do what they perceive is best for their own ports.”

Newsome is banking on Charleston’s strategic position in a growing Southeast market, and he says the port could feed the region’s bigger population centers such as Charlotte, N.C., and Atlanta.

“We think we’re the only harbor in the Southeast where it makes sense to go 50 feet or deeper,” he said.

South Carolina Republican Gov. Nikki Haley has lobbied President Barack Obama for $120 million for the Charleston harbor but received only enough to complete a study of the project. The state Legislature is considering a bond issue to pay for the federal portion in case the funds don’t come through.

“Gov. Haley has been working on securing funds to dredge Charleston since she was elected governor,” said Rob Godfrey, a spokesman, “and she is confident we will get our federal match and that Charleston will be as deep as necessary to make it the best port in the Southeast."

Georgia also isn’t waiting. Republican Gov. Nathan Deal’s budget now includes about $180 million in state funds for the port of Savannah. He said the state would pay for all of it if necessary, then seek a reimbursement from Washington.

Savannah is 100 miles south of Charleston and boasts the busier of the two ports, but it also has a shallower channel depth of 42 feet. Dredging the Savannah River would cost more than twice as much as Charleston, and would give the port only a 47-foot depth, though the river’s high tides would help accommodate bigger ships, as they do now.

“If you compare the cost of the two projects, they have a lot more to fund,” Newsome said.

Much of the $650 million cost is environmental mitigation. Billy Birdwell, a spokesman for the Army Corps of Engineers Savannah District, said that included the impact on marshes and a wildlife refuge and protecting endangered sturgeon. History also gets in the way: A sunken Confederate vessel that’s in the channel would have to be removed.

An Army Corps of Engineers study, released in January, concluded that the cost of deepening the channel to the port in Savannah is justified in part because it would generate $174 million in annual economic benefits. However, the report also said that no changes in cargo volume were expected as a result of the deeper channel.

Birdwell said economic benefits would come from the efficiencies of the larger ships. Larger ships mean fewer ships, and less congestion getting in and out of the port.

Stephanie Mayfield, a spokeswoman for Deal, said Georgia supported the expansion of both Savannah and Charleston.

“Both ports are of regional and national significance, and there is plenty of business to go around,” she said. “Gov. Deal is committed to funding the state’s share of 40 percent and expects that the federal government will live up to their commitment and fund the remaining.”

Florida Republican Gov. Rick Scott didn’t wait for an answer from Washington on the state’s request for $77 million for the Port of Miami. Just two months after he took office, Scott decided that the state would pick up the tab.

“We chose to self-fund,” said Lynskey, the assistant director at the Miami port. “We do want to get reimbursed by the federal government, but we’re going ahead without knowing.”

On Florida’s west coast, Port Manatee is nearing the end of a decade-long, $200 million expansion and has dredged to accommodate ships that have passed through the Panama Canal.

Miami’s project is less expensive than Savannah’s or Charleston’s, and it might be complete by the end of 2014, Lynskey said. A rail link to the port was rebuilt recently, and a $1 billion road tunnel to reach the harbor will be finished soon. Last month, the port authority reached a deal with environmental groups that had opposed the dredging project out of concern for its impact on coral reefs. Lynskey said the construction bid for the project should be ready by August.

Lynskey said that 60 percent of Florida-bound consumer goods from Asia didn’t come through the state’s ports, instead reaching Florida through Southern California or Savannah. With the deeper port, Lynskey expects Miami cargo volumes to double in the next decade.

“If we get no more than recapturing Florida, we’re going to get our investment back,” he said.

#### No-Link Increased Global Competitiveness not key to heg,-desperate policy making fails

Robert Pape. University of Chicago professor of Political Science and founder of the Chicago Project on Security and Terrorism.2009. [“Empire Falls”. The National Interest.] http://findarticles.com/p/articles/mi\_m2751/is\_99/ai\_n32148803/?tag=content;col1

The days when the United States could effectively solve the security problems of its allies in these regions almost on its own are coming to an end. True, spreading defense burdens more equally will not be easy and will be fraught with its own costs and risks. However, this is simply part of the price of America's declining relative power.¶ The key principle is for America to gain international support among regional powers like Russia and China for its vital national-security objectives by adjusting less important U.S. policies. For instance, Russia may well do more to discourage Iran's nuclear program in return for less U.S. pressure to expand NATO to its borders.¶ And of course America needs to develop a plan to reinvigorate the competitiveness of its economy. Recently, Harvard's Michael Porter issued an economic blueprint to renew America's environment for innovation. The heart of his plan is to remove the obstacles to increasing investment in science and technology. A combination of targeted tax, fiscal and education policies to stimulate more productive investment over the long haul is a sensible domestic component to America's new grand strategy. But it would be misguided to assume that the United States could easily regain its previously dominant economic position, since the world will likely remain globally competitive. To justify postponing this restructuring of its grand strategy, America would need a firm expectation of high rates of economic growth over the next several years. There is no sign of such a burst on the horizon. Misguided efforts to extract more security from a declining economic base only divert potential resources from investment in the economy, trapping the state in an ever-worsening strategic dilemma. This approach has done little for great powers in the past, and America will likely be no exception when it comes to the inevitable costs of desperate policy making

#### Alt cause – employee skills deficits

Fifth Third Bank 6/13 (United States Bank, “Greater Employee Training Is

Vital to Global Competitiveness”, <https://www.53.com/doc/cm/2Q12-employee-training-vital.pdf>, 6/13/12, JNP)

To gain a competitive edge, companies in the United States ¶ and around the world are increasingly specializing in their core ¶ competencies and outsourcing non-core functions. To succeed, ¶ this requires more knowledgeable workers with deeper skill sets ¶ and the means to manipulate sophisticated new technologies. ¶ Since skills cycles have been significantly shortened—from ¶ years to just months—the ability of employees to continually ¶ learn and welcome life-long educational programs is key. And the ¶ willingness of employers to frequently upgrade their employees’ ¶ skills and invest in corporate training programs is critical.¶ In light of the demands placed on today’s workers, it is not surprising that a skills deficit exists. In fact, this situation ¶ has occurred for years. For example, prior to the global financial crisis, in 2007, Manpower Group, a leader in the ¶ employment services industry, said 41 percent of U.S. companies surveyed indicated difficulties filling positions. ¶ Although current global unemployment levels remain high, the problem has not abated. ¶ According to the Washington, DC-based Manufacturing Institute, last year 67 percent of American survey respondents ¶ reported a moderate to severe shortage of qualified labor; they also anticipated the problem to worsen. And recently, ¶ the University of Michigan indicated that 600,000 American manufacturing jobs are unfilled due to a lack of employee ¶ qualifications. This shortage is further intensified due to U.S. labor mobility being at a 50-year low, McKinsey Global ¶ Institute said. This means fewer workers are able to relocate to seek or accept employment. This has a significant ¶ impact on competitiveness. Why?¶ For hundreds of years, nations with an abundance of natural resources were considered to have a competitive ¶ edge. Today, this is no longer the case. Human knowledge and skills have taken the front seat. In turn, a company’s ¶ only sustainable advantage is the ability of its employees to learn faster, apply new technologies better, and boost ¶ productivity more quickly than the competition.¶ This is not new. Several years ago Federal Reserve Chairman Ben Bernanke said, “Education fundamentally supports ¶ advances in productivity, upon which our ability to generate continuing improvement in our standard of living depends.”

#### Alt Cause – U.S. regulatory system

NCF 7/28 (National Chamber Foundation, “SERIES: The Eight Factors of American Competitiveness - Chapter Three: The Cost of Doing Business”, <http://www.freeenterprise.com/economy-taxes/series-eight-factors-american-competitiveness-chapter-three-cost-doing-business>, 7/28/12, JNP)

Ruling out common sense. Besides our costly and complex tax code, job creators consistently view the severe inefficiencies of the U.S. regulatory system as a major competitive impediment. Like taxes, regulations are a vital part of providing for a well-functioning society; but when they are unnecessary, unduly burdensome, result in administrative delay, and costly paperwork they represent an enormous drag on economic growth and competitiveness. The European Commission summed up the formula succinctly in its campaign to reduce the excessive regulatory and administrative costs burdening the European Union: “Less Paperwork = More Jobs.”[x]¶ The World Economic Forum finds that 57 countries have less onerous regulatory systems than the United States. The OECD has found U.S. regulations to be among the most complex and costly of those in the developed economies, in many cases failing to produce the public benefits intended. [xi] MGI warns that precisely because of undue regulatory burden “the relative competitiveness of the U.S. business and regulatory environment is declining—at a time when many international jurisdictions are aggressively adjusting their regulatory environment and streamlining processes for working with business to attract new investment.”[xii]¶ The U.S. Small Business Administration reported that by 2008 the cost of regulations had reached more than $1.75 trillion per year, or the equivalent of over $10,500 per employee for small business—36 percent more than for large companies.[xiii] Each year the federal government issues some 4,000 new regulations.[xiv] The accretion of these rules issued by a multitude of federal agencies (sometimes pursuing conflicting missions), combined with the rules imposed by multiple layers of state and local jurisdictions, creates a complicated regulatory patchwork of administrative burden inhospitable to enterprise.[xv]¶ Despite the competitive damage the United States has no process for routinely reviewing regulations to determine which can be improved and which others should be eliminated. As the Brookings Institution observes in a Hamilton Project report, " [Regulations] . . . are rarely (if ever) evaluated or fine-tuned after they are issued. . . . A more effective regulatory system would continually evaluate regulation's impact and identify areas where reform would be beneficial."[xvi] This includes not only the regulations themselves but the procedures for administering them.¶ In a fast-moving global economy, bureaucratic inertia and timewasting procedural delays, particularly in permitting, are daggers in the heart of enterprise. As a recent OECD report stated, “Red tape is costly, not just in time and money spent filling out forms but also in terms of reduced productivity and innovation in business.” To make a start on remedying this competitive shortcoming, says McKinsey, “the United States could significantly reduce the complexity of regulations and streamline the process of resolving disputes.”[xvii]

#### Alt Cause – lack of higher and equal education

NAICU 7/8 (National Association of Independent Colleges and Universities, citing information from Economic Survey of the United States, written by the “Organisation for Economic Co-operation and Development”, “Greater access, more equal higher education are key to U.S. competitiveness”, <http://www.naicu.edu/news_room/greater-access-more-equal-higher-education-are-key-to-us-competitiveness>, 7/8/12, JNP)

The United States is at risk of losing its competitive advantage in the global marketplace unless it ensures greater and more equal access to higher education, according to a survey released by the Organisation for Economic Co-operation and Development. The Paris-based think-tank’s Economic Survey of the United States found that there is more demand for university-educated workers than meets supply. As a result, US companies are no longer more likely to innovate than companies in the other 33 OECD member countries.

#### Alt cause – export industries

Del Gatto et al 5/30 (Massimo, CRENOS - Centre for North South Economic Research; “Gabriele d’Annunzio” University of Chieti-Pescara - Faculty of Economics, also work by: Joseph W. Gruber,

Federal Reserve Board - Trade and Quantitative Studies Section, Benjamin R. Mandel

Federal Reserve Banks - Federal Reserve Bank of New York, Filippo Di Mauro

European Central Bank (ECB), “The Structural Determinants of the US Competitiveness in the Last Decades: A 'Trade-Revealing' Analysis”, [http://papers.ssrn.com/sol3/papers.cfm?abstract\_id=2070554##](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2070554), 5/30/12, JNP)

This paper analyzes the decline in U.S. export share. To tackle these issues, we begin¶ by decomposing the decline in share into detailed industry groups and find that only a¶ few of these industries contributed to the decline in any meaningful way. A large part¶ of the drop was driven by the changing size of U.S. export industries and¶ not the size of U.S. sales within those industries. In particular, U.S. exporters appear¶ to have specialized in industries that happen to have been growing relatively slowly as¶ a share of world trade. These observations offer our first suggestion that the fall in¶ aggregate U.S. share has little to do with the underlying productivity of U.S.¶ exporting firms.¶ To corroborate this argument, we estimate the effect of national income and¶ geography on export shares in a modified gravity equation, in which export flows to a¶ given country are divided through by the entire world export to that country. Such¶ preliminary analysis reveals that the majority of the decline in export shares is in fact¶ due to a declining share of world income.¶ This type of analysis offers potential for a better understanding of the drivers of the¶ U.S. export performance, as the residuals embody precious information on countrysector¶ underlying productivity. However, the latter is mixed with other unmeasured¶ components, such as relative trade costs and idiosyncratic shocks, making the residual¶ a poor measure of competitiveness.¶ We thus take a structural approach aimed at identifying relative cost competitiveness¶ across countries by modeling the micro-foundations of trade shares explicitly. The¶ model allows us to derive a measure of country-sector (relative) real marginal costs¶ which, insofar it is inferred from actual trade flows, we refer to as revealed marginal¶ costs (henceforth RMC). This (inverse) measure of competitiveness is endogenous to¶ the model, being the outcome of a process of firm selection driven by: (1) the degree¶ of 'accessibility' (i.e. trade costs) of the country and the size of the market, as well as¶ (2) the exogenous ability of the country to generate low cost firms (exogenous¶ marginal costs), which depends on structural and technological factors such as the¶ entry costs and the productivity distribution of firms.¶ When brought to the data, for the period 1980-2004, our measure suggests that,¶ notwithstanding significant heterogeneity across sectors, U.S. marginal costs have¶ generally kept decreasing, in absolute terms. However, relative to their main¶ competitors, U.S. manufacturing industries are also suffering from problems of¶ competitiveness, as we find that marginal costs have grown by more than 38\%, on¶ average, relative to the other G20 countries. At the sectoral level, the "Machinery"¶ industry is confirmed to be the most critical, followed by "Non-ferrous metals",¶ "Industrial chemicals", "Professional and scientific equipments". On the other hand, in¶ sectors like "Petroleum and coal", "Plastic products", "Printing and publishing",¶ reported RMCs decreased significantly, i.e. the respective competitiveness increased. With respect to the main trading partners of the US, two groups can be identified. For¶ the countries in which RMC decreased the most relative to the US (i.e. their relative¶ competitiveness increased) higher trade freeness (relative to the U.S.) appeared to be¶ an important factor, irrespective of the negative (India) or positive (China) variation¶ in market size. On the other hand, there was another group of countries in which the¶ degree of trade freeness decreased respect to the U.S. In all these countries, except for¶ Korea, trade freeness has been the main driver of a worse performance, in terms¶ of RMC, compared to the U.S. Korea, instead, compensated the decrease in trade¶ openness with a substantial increase in market size which, via increased competition,¶ produced a beneficial effect on competitiveness.¶ Overall, our analysis suggests that market share performance is not a sufficient¶ statistics for competitiveness, as witnessed by the very low correlation between our¶ RMC measure and the export shares. Market size is definitively the main responsible¶ for the dismal performance of the U.S. market share. On the other hand, trade freeness¶ increased substantially in the countries in which RMC decreased the most (India,¶ China, Germany) relative to the U.S.

#### Alt cause – tax system and internal tax revenue code

NCF 7/28 (National Chamber Foundation, “SERIES: The Eight Factors of American Competitiveness - Chapter Three: The Cost of Doing Business”, <http://www.freeenterprise.com/economy-taxes/series-eight-factors-american-competitiveness-chapter-three-cost-doing-business>, 7/28/12, JNP)

Taxing U.S. competitiveness. When comparing the cost structures of competing locales, job creators look especially at tax rates and trade policies.[ii] In this influential category, the United States does not stack up well. We now possess the highest corporate income tax rates in the Organisation for Economic Cooperation and Development (OECD). From 2000 to 2010, average national corporate tax rates worldwide dropped from 32.8 percent to 25.7 percent. The United States, however, has remained unchanged at 40 percent, when federal, state, and local taxes are taken into account.[iii] The World Bank, McKinsey Global Institute (MGI), World Economic Forum (WEF), and PricewaterhouseCoopers (PwC) each have reported on the chilling effect America’s tax system has on the U.S. business environment.[iv]¶ As the National Small Business Association notes, “The corporate tax rate is just one small piece of the equation—the overwhelming majority of small businesses are pass-through entities and therefore pay business taxes through their individual income tax. America’s small businesses need broad, comprehensive and fair tax reform.” That’s why, according to the NSBA, “Small business consistently ranks reducing the tax burden among their top issues.”[v]¶ Moreover, America remains one of only five major economies that continue to tax the overseas earnings of domestic earnings when the proceeds are brought back home.[vi] According to Cisco Systems CEO John Chambers and Oracle Software President Safra Cayz, “This means that U.S. companies can, without significant consequence, use their foreign earnings to invest in any country in the world—except here.”[vii] And, to a large extent that is exactly what is happening.¶ Added to high, the complexity of the internal revenue code and the enormous cost of tax compliance damage the appeal of our business environment significantly. The U.S. tax code is among the most complicated in the world—a 71,500-page behemoth, twice as large now as it was in 1984, and growing by nearly 3.28 percent per year.[viii] National Small Business Association notes, “Although the actual out-of-pocket cost is a huge issue, the sheer complexity of the tax code has been an ever-increasing thorn in the sides of small-businesses.”[ix] The cost of compliance exceeds a staggering $168 billion per year (approximately 15 percent of annual income tax receipts). These outlays, of course, are passed through to consumers here and abroad, and every dollar that business must spend navigating an outsized tax code is one less dollar available for payroll, R&D, and other productive investments.

### Trade Advantage

#### Port Trade not internally key to econ- alts exists

Edward E. Leamer and Christopher Thornberg. Leamer UCLA Professor in Economics & Statistics and Chauncey J. Medberry Chair in Management / Director, UCLA Anderson Forecast, Thornburg Dr. Thornburg UCLA’s Anderson Forecast economist. Previously he has taught in the MBA program at UC San Diego’s Rady School of Business, at Thammasat University in Bangkok, Thailand, and has held a faculty position in the economics department at Clemson University.2006.[“Protecting the Nation’s Seaports: Balancing Security and Cost”. Pg 33-34¶ Public Policy Institutes of California.] <http://www.ppic.org/content/pubs/report/r_606jhr.pdf>¶

This is testimony partly to the great resilience of a modern economy.¶ Short interruptions to supply chains can be mitigated fully by drawing¶ down inventories, especially if they were built up in anticipation of the¶ event. When inventories are depleted and delivery essential, cargo can be¶ shifted to air or land through a neighboring economy. Somewhat longer¶ interruptions can be compensated for through a temporary shift to¶ domestic suppliers—an especially easy alternative if supply chains have¶ built-in redundancies that allow the needed flexibility. Some consumers¶ at the end of the supply chain may have to wait a while or pay higher¶ prices. The sale—and profits—may be postponed, but they are not¶ prevented.¶

#### Link-Turn Dredging Causes Economic Decline- Large Cargo Exported or Imported can’t be screened future tech costs $500 billion and producing delays vital to economic competitiveness- either they concede security not key and terrorists attack or increased trade over takes port capacity and econ decline-Impact take out

James Carafano and Jessica Zuckerman. Dr.Carafano Director of International Studies Kathryn and Shelby Cullom Davis Institute, Zuckerman Heritage Foundation Foreign Policy Studies Research Assistant. 2/2/12. [“Maritime Cargo Scanning Folly: Bad for the Economy, Wrong for Security.Pg 1-2 The Heritage Foundation.]http://thf\_media.s3.amazonaws.com/2012/pdf/wm3481.pdf

While screening calls for cargo to be assessed¶ for risk on the basis of contents, origin, and¶ other attributes, scanning means that each of the¶ approximately 11.6 million maritime cargo security¶ containers entering U.S. ports each year must¶ be physically scanned. With many maritime cargo¶ increasingly containerized in recent decades, typical¶ maritime cargo containers often measure some¶ 40 feet in length. One key issue regarding maritime¶ cargo screening is, therefore, one of scale. While the¶ basic technology exists to effectively screen cargo¶ containers, the expanded technology necessary to¶ perform this function on large containerized cargo¶ largely does not.¶ Cost and infrastructure are also important factors.¶ A single x-ray scanner, the most common technology¶ used for cargo screening, can have a price¶ tag of $4.5 million, plus an estimated annual operating¶ cost of $200,000, not to mention the roughly¶ $600,000 per year for the personnel required to run¶ the equipment and examine the results.3 Likewise,¶ the mere placement of scanners can also prove to¶ cause logistical problems, as many ports were not¶ built with natural bottlenecks through which all¶ cargo passes. With today’s economy relying heavily¶ on the timely and efficient movement of goods,¶ and such logistical delays could amount to around¶ $500 billion in total profit loss. And once scanning¶ technology is installed, it may encounter multiple¶ problems, such as incompatibility with previous¶ technologies, frequent outages due to weather, and¶ insufficient communication infrastructure to transmit¶ electronic data to the U.S. National Targeting¶ Center-Cargo, where it is assessed¶

#### Ports already have dredged enough to accommodate PanaMax ships.

Leach 10

(Peter, <http://www.joc.com/maritime/locked-growth>, “Locked In for Growth” Feb. 1, twm)

Since the Panama Canal Authority announced plans in 2006 for a third set of locks that can handle ships twice as big as the current locks, the industry has been girding for the potential shift of trans-Pacific shipments to the U.S. East Coast. East Coast ports have spent billions of dollars to dredge channels deep enough to accommodate the big new ships capable of handling up to 12,500 TEUs that will transit the canal when the new locks open, expected in 2014. Ports and private terminal operators are rushing to expand capacity.

#### Opening of Panama Canal to bigger ships won’t cause a huge increase in trade – current land based trade will stay that way.

**Leach 10** (Peter, <http://www.joc.com/maritime/locked-growth>, “Locked In for Growth” Feb. 1, twm)

But importers of goods from Asia probably will wait before switching to all-water services to see if the bigger ships can offer large enough advantages over the mini-landbridge route from West Coast ports to the Midwest.¶ It’s far too soon to tell how the pricing of the bigger-volume all-water services to the East Coast will shake out, but some observers say a lot of the switch to all-water service already has happened and that future shifts will be small.¶ “The expansion of the canal will be a bump, not a sea change,” said Asaf Ashar, research professor at the National Ports and Waterways Institute at the University of New Orleans. “We won’t see much of a change — maybe a percent or two — because most of the big retailers are already going all-water.”¶ That may not be such bad news for East Coast ports. If the volume of all-water service to the East Coast grows more slowly than originally projected, it may prove a blessing in disguise for many East Coast ports that haven’t been able to move ahead with dredging or construction projects as quickly as they had hoped.¶ Right now, only Norfolk, Va., Charleston, S.C., and Halifax, Nova Scotia, have the 50-foot-plus channel depth to accommodate the 12,500-TEU ships that will be able to transit the new locks. Baltimore has signed a deal with Ports America, which will take over operation of the Seagirt Container Terminal and dredge its depth to 50 feet by 2014. New York-New Jersey is dredging its channel to 50 feet, but the low air draft of the Bayonne Bridge will curtail access to the big terminals in New Jersey and Staten Island until the bridge can be raised or razed.¶ But even the economies of scale of bigger ships may not be enough to convince container ship companies to take them to the East Coast because demand may be insufficient.

#### Panama Canal expansion won’t increase use of shipping via ocean.

Leach 10

(Peter, <http://www.joc.com/maritime/locked-growth>, “Locked In for Growth” Feb. 1, twm)

Ashar believes cost savings carriers offer over intermodal rail will not be large enough to enable all-water service to capture a much bigger market share. That’s because the Panama Canal Authority already is taking its share of the savings through higher tolls, which it will probably increase further in years to come.¶ “Our friends in the canal grabbed most of the savings by increasing tolls from $40 to $72 per TEU,” Ashar said. “So they took maybe 40 percent of the savings already.”¶ He said importers now pay a premium of about $75 a day per container to save seven or eight days in transit by bringing containers in through West Coast ports and shipping them by intermodal rail to the Midwest. When larger ships can transit the canal, importers will only realize total additional savings of around $50 per TEU over a mini-landbridge by using all-water services. That may not be a big enough savings to spur more of a shift.¶ “The change in the voyage costs is not much compared to the total voyage costs,” Ashar said. “It’s a nice change, but it’s a minor change, which means it has a minor impact.”

#### Aff doesn’t solve – congestion, labor issues and railcar shortage.

Leach 10

(Peter, <http://www.joc.com/maritime/locked-growth>, “Locked In for Growth” Feb. 1, twm)

“When cargo starts popping again like it did in 2006 and 2007, you’re still going to have the same issues at West Coast ports,” said Roy Schleicher, senior director of trade development and global marketing at the Jacksonville Port Authority. “You’re still going to have congestion, you’re still going to have ships anchored and you still may have labor issues, and you’re still going to have the lack of railcars and things like that.”

#### East Coast ports have already dredged and created intermodal facilities.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

Additionally, East Coast ports are uniquely concerned with port-related capacity and infrastructure issues. n21 Historically, the largest ships transporting containerized cargo have been unable to pass through the Panama Canal in calling on East Coast ports. n22 This is about to change. The Panama Canal is currently being expanded to accommodate ships carrying up to 12,000 TEUs. n23 The anticipated completion of the Panama Canal Expansion Project in 2014 has forced ports on the eastern seaboard to dredge channels deeper to accommodate [\*1528] the larger ships n24 and expand intermodal facilities n25 to transport containerized cargo quicker and more efficiently. n26

### Solvency

**No solvency---the plan would be used to finance pork projects**

**TNT 11** (The News Tribune, October 31, 2011, <http://blog.thenewstribune.com/opinion/2011/10/31/harbor-tax-hurts-port-of-tacoma-every-which-way/#more-13247>, ZBurdette)

The fee in question is the Harbor Maintenance Tax, .125 percent of the value of cargo imported through U.S. ports. Port of Tacoma officials estimate that it adds an average of at least $150 to the cost of every container unloaded in Puget Sound. Canada imposes no such tax, and the $150 or more that shippers save by going through British Columbia amounts to a big penalty against Tacoma and Seattle.

The tax – and the fund it sustains – is fraught with irrationalities.

The money is supposed to be spent dredging harbors and channels. But Congress dithers about when and how to spend it. The Harbor Maintenance Trust Fund now has a surplus of almost $6 billion, yet – out in the country’s harbors – there’s an enormous backlog of dredging work that hasn’t been done.

When the money is spent, the people who pay tend not to be the people who get. High-volume ports subsidize dredging in harbors that handle very little shipping. Expensive maintenance is done, for example, on the Lake Washington Ship Canal, which chiefly serves pleasure boaters exempt from the Harbor Maintenance Tax.

#### Port investment is ineffective – flawed application process

Joseph Bouchard 6/15/2005 (Dr. Bouchard is widely recognized as an expert on national defense and homeland security, and has received several awards for his leadership in port security, including the Secretary of Defense 2002 Annual Antiterrorism Award, Secretary of Transportation 2002 Partnering for Excellence Award, Virginia Port Authority Medal of Excellence, and the Virginia Maritime Association Port Champion Award, Center for American Progress, “new strategies to protect America: safer ports for a more secure economy”http://www.americanprogress.org/kf/port\_security.pdf)

Only this year has the department made an initial effort to implement a¶ “risk-based” approach in the current fiscal year 2005 (Round 5) program. This¶ effort to articulate risk-based priorities is laudable, but is seriously flawed.¶ Because of limited funds, only 66 of our largest ports are eligible for grants, with¶ emphasis placed on prevention and detection of improvised explosive devices,¶ particularly those delivered by small craft, underwater or in vehicles on ferries.¶ 22¶ Prioritizing entire ports for grant allocations misses the important point that not¶ all facilities within a port present the same level of risk: some may be seriously¶ threatened because an attack on them would cause catastrophic consequences, while other facilities in the same port would be of little interest to¶ terrorists. Although DHS recognizes that “the highest risk assets include oil,¶ chemical, gas terminals and passenger/ferry vessels/terminals,”¶ 23¶ this was not¶ incorporated into this year’s grant prioritization process. Thus, a low-risk facility¶ at a high-risk port can apply for a port security grant, while a high-risk facility in¶ an otherwise low-risk port cannot. The failure to distinguish priorities within¶ rather than between ports means that the allocation of scarce port security grant¶ funds will not accrue the greatest return on investment, leaving significant and¶ exploitable security gaps at U.S. ports.

#### Widely distributed funding fails – not enough money to make an impact or the wrong ports get invested in

Joseph Bouchard 6/15/2005 (Dr. Bouchard is widely recognized as an expert on national defense and homeland security, and has received several awards for his leadership in port security, including the Secretary of Defense 2002 Annual Antiterrorism Award, Secretary of Transportation 2002 Partnering for Excellence Award, Virginia Port Authority Medal of Excellence, and the Virginia Maritime Association Port Champion Award, Center for American Progress, “new strategies to protect America: safer ports for a more secure economy”http://www.americanprogress.org/kf/port\_security.pdf)

The Port Security Grant Program also has suffered from serious ¶ management issues, particularly relating to grant allocation decisions based on¶ politics and not on risk. The Transportation Security Administration, which ¶ managed the program before the advent of DHS, attempted to implement a¶ rational review and allocation process that included local and headquarters-level¶ review of applications by subject matter experts from the Coast Guard and¶ Maritime Administration, although the results were disappointing.¶ 21¶ Bowing to¶ Congressional pressure, when it took over, DHS distributed port security grants¶ as widely as possible, in some cases for projects of dubious value with little¶ regard to the risk or consequence of a terrorist attack.

#### Squo solves the aff but doesn’t trigger the link to politics

Global Trade 7/5/12 (the foreign policy of economics and trade, “U.S. PORTS PLAN MAJOR INFRASTRUCTURE INVESTMENT” http://globaltrademag.com/2012/07/05/u-s-ports-plan-major-infrastructure-investment/)

¶ The country’s deep-water seaports and their private-sector partners plan to invest a combined $46 billion over the next five years in wide-ranging capital improvements to their marine operations and other port properties, according to a recently completed survey conducted by the American Association of Port Authorities (AAPA).¶ According to the Alexandria, Virginia-based industry group, U.S. seaports support the employment of more than 13 million U.S. workers and create 15,000 domestic jobs for every $1 billion in manufactured goods that U.S. businesses export.¶ U.S. Bureau of Economic Analysis formulas show that investing $46 billion in infrastructure at U.S. ports would create more than 500,000 direct, indirect and induced domestic jobs, accounting for more than 1 billion person-hours of work, said economist John C. Martin, president of Lancaster, Pa.-based Martin Associates.

#### New tech fails

Carafano and Zuckerman, 12 (James Jay Carafano and Jessica Zuckerman, Deputy Director, The Kathryn and Shelby Cullom Davis Institute for International Studies and Director, Douglas and Sarah Allison Center for Foreign Policy Studies and Research Associate, Douglas and Sarah Allison Center for Foreign Policy Studies, “Maritime Cargo Scanning Folly: Bad for the Economy, Wrong for Security”, Heritage foundation, <http://www.heritage.org/research/reports/2012/02/maritime-cargo-port-security-and-the-100-percent-screening-mandate>)

Cost and infrastructure are also important factors. A single x-ray scanner, the most common technology used for cargo screening, can have a price tag of $4.5 million, plus an estimated annual operating cost of $200,000, not to mention the roughly $600,000 per year for the personnel required to run the equipment and examine the results.[3]

Likewise, the mere placement of scanners can also prove to cause logistical problems, as many ports were not built with natural bottlenecks through which all cargo passes. With today’s economy relying heavily on the timely and efficient

movement of goods, and such logistical delays could amount to around $500 billion in total profit loss. And once scanning technology is installed, it may encounter multiple problems, such as incompatibility with previous technologies, frequent outages due to weather, and insufficient communication infrastructure to transmit electronic data to the U.S. National Targeting Center-Cargo, where it is assessed.

## Inherency

### Dredging Now

#### Ports being dredged now

Galloway 7/19 – Political Insider for the Atlanta Journal Constitution (Jim, 7/19/12, “White House commits to Port of Savannah dredging”, <http://blogs.ajc.com/political-insider-jim-galloway/2012/07/19/white-house-commits-to-port-of-savannah-dredging/>)

President Barack Obama today will announce that the dredging of the Port of Savannah is among seven nationally significant infrastructure projects that have been placed on a funding fast track, with all necessary federal reviews to be finished by November. The program, part of what Obama has dubbed his “We Can’t Wait” initiative, amounts to a federal commitment to the $650 million deepening. Political and business leaders throughout Georgia have called the deepening is the most important infrastructure project in the state. Other ports to receive improvements: Charleston, Jacksonville, Miami, and the Port of New York and New Jersey. The administration says dozens of additional projects to be expedited will be announced in the coming months. Atlanta Mayor Kasim Reed, who helped open doors for Georgia Republicans in Washington, this morning praised Obama for expediting the process. “This is critical for the entire state of Georgia, and is yet another example of the importance of working together across bipartisan and regional lines to keep us competitive and create jobs,” the Atlanta mayor said. U.S. Sens. Saxby Chambliss and Johnny Isakson likewise applauded the decision. “I am glad to see that the administration recognizes the importance of the Port of Savannah,” said Chambliss. “This project has been in the works for more than a decade. It is time that the planning phase come to an end, and we move to construction.” “This is a positive step by the administration in recognizing the importance of the Savannah Harbor Expansion Project to our nation’s economy. We must be prepared for the larger vessels of the future, and I hope we can build on this momentum and begin the actual harbor deepening in Savannah as soon as possible,” Isakson said.

#### Status quo solves trade – east coast ports are key

**Bauerlein 7/18** – staff writer for the Florida Times Union (Dave, 7/18/12, “Feds to fast-track study for deepening JaxPort”, <http://jacksonville.com/news/metro/2012-07-18/story/feds-fast-track-study-deepening-jaxport>)

The Obama administration will fast-track a study of deepening Jacksonville's ship channel so the report gets finished a year earlier, advancing the city's quest to be an international trade gateway. The administration will formally announce the accelerated schedule Thursday morning, before President Barack Obama's campaign rally at the Prime Osborn Convention Center in Jacksonville. The Army Corps of Engineers has previously said it expected to complete a feasibility study in 2014 for deepening the channel. The administration will move up that date to April 2013, according to the administration. The sooner the feasibility study is completed, the quicker the Jacksonville Port Authority can seek funding to start designing the project and ultimately do the dredging, which will likely cost several hundred million dollars. U.S. Transportation Secretary Ray LaHood said Wednesday ports like Jacksonville have a chance to grow substantially because expansion of the Panama Canal will send bigger cargo ships to the East Coast. "For cities like Jacksonville, this kind of opportunity comes around once in a lifetime, and you have to be ready, willing and able to take advantage of the opportunity," LaHood said. "Certainly, I think Jacksonville will be." The president's proposed 2013 budget contains $1.4 million for the study.

### AT: Too Slow

**They will be done in time**

**AP 7/19 –** Associated Press (7/19/12, “Obama Administration Fast Tracks PortMiami Dredge Project”, http://miami.cbslocal.com/2012/07/19/obama-administration-fast-tracks-portmiami-dredge-project/)

As part of the Obama administration’s efforts to speed up public works projects across the country during a weak economy, they’ve announced they’ve accelerated their work on port projects in Miami, Jacksonville and three cities. On Thursday the administration announced that they were expediting federal permits for deepening PortMiami and a feasibility study for dredging Jacksonville’s port. “This is wonderful news for the entire state of Florida,” said U.S. Rep. Debbie Wasserman Schultz. “These projects have been in the works for years, and I’m glad we have a President who understands the value of them becoming a reality. President Obama is right – we can’t wait on these important initiatives that will boost our economy now. The Army Corps is working with PortMiami to deepen the channel at the port from its current depth of 42 feet to a depth of 50 feet. Once completed, the port will be able to accommodate larger cargo vessels and other ships. The deepening project of the navigation channel is expected to be complete by the end of the year. The dredging is expected to be complete by spring of 2015, just in time to be the first port along the eastern seaboard to receive the larger cargo ships that will begin shipping goods through an expanded Panama Canal. “Miami-Dade County has been ahead of the curve in making major infrastructure improvements to its seaport, most notably the deepening of PortMiami’s channel to -50 feet, which will allow for the largest cargo ships in the world to dock at our port,” said Miami-Dade Mayor Carlos Gimenez. “PortMiami will be the only U.S. East Coast Port, south of Norfolk, Va., to be at minus-50 feet when the expanded Panama Canal opens in early 2015.” In Jacksonville, the Army Corps of Engineers has previously said it expected to complete a feasibility study in 2014 for deepening the channel. The administration announced today that it will fast-track the study so that it is completed by April 2013. Other ports to receive improvements are: Charleston, Savannah, and the Port of New York and New Jersey.

## T – Underlying Structures

### 1NC

**A. Interpretation** - Transportation infrastructure must be the underlying structures like building a road not accessories to a road like new road signs.

Trimbath, PhD in Economics, 11

(Susanne, US Chamber.com [website of the US Chamber of Commerce], former Senior Research Economist in the Capital Market Studies at the Milken Institute, Senior Advisor on corporate community investment for the Business Civic Leadership Center of the US Chamber of Commerce, PhD in economics from NYU, 2011, “Transportation Infrastructure: paving the way,” <http://www.uschamber.com/sites/default/files/issues/infrastructure/files/2009TPI_Update_Economics_White_Paper_110712.pdf>, alp)

The strategy applied by the US Chamber of Commerce for the infrastructure performance index project presents a model for developing the way forward. A stakeholder-centric approach allows you to measure the right things, communicate to the people in a language they understand and get to ACTION faster. The process, detailed in the Technical Report last summer (US Chamber 2010), is basically this: 1. Clearly define “transportation infrastructure” as the underlying structures that support the delivery of inputs to places of production, goods and services to customers, and customers to marketplaces. The structures are: • Transit • Highways • Airports • Railways • Waterways (Ports) • Intermodal Links

**B. Violation – port modernization isn’t topical. Building a new port would be topical but just adding to an existing port isn’t topical.**

**C. Voting issue –**

**Limits – we set a fair limit. Aff’s can build new roads, new railways, new airports, new ports or new intermodal links combined with the various investment mechanisms that creates more than 25 different possibilities for the affirmative. However, allowing the aff to go beyond building new underlying structures justifies the “accessory affirmative”. There are thousands of potential possibilities including adding stoplights, new road signs, toll booths, and stickers on public buses, just to name a few. That type of topic explosion makes it impossible for the negative to effectively prepare hurting education and giving the affirmative an unfair advantage.**

## HMT PIC

### 1NC

**Text: The United States federal government should modernize ports without using the Harbor Maintenance Tax.**

**The counterplan solves best---using HMT turns the case**
**Godwin 98** (Jean, 31st Transportation Law Institute, American Association of Port Authorities, October 27, “Infrastructure Financing: Who Pays, Who Doesn't, Who Should and How Much?”, <http://www.aapa-ports.org/Issues/content.cfm?ItemNumber=1016>, ZBurdette)

Why the Federal Government Should Fund Maintenance Dredging From General Treasury

Maintenance dredging should be funded from the General Treasury, as was the case before 1986. There is no user-fee system that can equitably raise revenues from the users of navigation channels in reasonable relation to the distribution of benefits to the nation. Many options were considered in developing the ad valorem HMT funding mechanism for maintenance dredging. Unfortunately, the only option to survive the debates from 1981 to 1986, the HMT, was found unconstitutional by the Supreme Court. It does not appear that there are significant new or old options that would work better today.

The assessment of a tonnage fee on cargo or vessels would severely affect bulk commodities, such as grain or coal, which compete in international markets where pennies a ton can make or break a sale. These shipments, which are amongst our Nation’s leading export products, now use the most cost-effective route--typically moving by barges down rivers to coastal harbors. Those harbors, in turn, tend to require significant maintenance dredging because of the river sediment. In general, dredging demands related to the shipping of these types of export products are greater than those related to import products.

Another alternative considered would have required local ports to raise their own funding for maintenance dredging. Such a change could pit U.S. ports against each other, the result of which could impact commerce and national security. The concept also alters the fundamental Federal role in maintaining the national navigation system. Like a tonnage tax, local funding, if passed on to port users, could increase transportation costs, pricing bulk commodities out of international markets either through increased charges at the currently utilized port(s) or by increasing inland transportation costs due to diversion from the inland waterway system.

Recognizing that these options could be injurious to the nation’s trading position, and to individual ports, Congress in 1986 chose to enact a uniform ad valorem tax on cargo. By applying a uniform fee on all cargo moving through any port in the country, the tax did not affect the competitive position of any port. (This is true relative to U.S. ports, but ignores the fact that cargo has been diverted to Canadian ports to avoid paying the fee.) Congress intended to minimize the potential negative effect on export competitiveness, and minimize the diversion problem by setting the fee fairly low, at a level to collect 40 percent of the dredging costs. However, in the 1990 budget agreement, Congress tripled the fee, and a $1.2 billion surplus has accumulated in the trust fund. Prior to the Supreme Court decision, the surplus had been expected to reach nearly $2 billion by the end of fiscal 1999.

The HMT ultimately added hundreds of dollars to the cost of shipping a single container of high value cargo, and has caused traffic to be diverted to non-U.S. ports to avoid payment. The imposition of the HMT caused a rail-barge service on the Great Lakes to go out of business.

Other options for raising revenue from direct users of the navigation channels are not likely to produce sufficient funds. In addition, direct navigation users are already significantly taxed. A 1993 General Accounting Office study found that 12 Federal agencies levy 117 assessments on waterborne trade. In 1996, receipts from these fees were 154 percent of the level raised only ten years earlier, making our exports more expensive and less competitive in international markets.

Customs revenues in FY 1996 totaled $22.3 billion, of which roughly 70 percent (or $15.6 billion) is attributable to cargo moving through seaports. These funds, currently collected from users of navigation channels, are more than 31 times greater than the cost of maintenance dredging (approximately $500 million). Expected increases in customs collections due to increased trade would likely be enough to pay for maintenance dredging.

### Ext: Net Benifit

**Using the Harbor Maintenance Tax undercuts competitiveness**

**Schinfeld 12** (Eric, July 6, The Chamber, “THE HARBOR MAINTENANCE TAX: A THREAT TO PUGET SOUND JOBS”, <http://www.seattlechamber.com/News/Article/12-07-06/The_Harbor_Maintenance_Tax_A_threat_to_Puget_Sound_jobs.aspx>, ZBurdette)

But what really causes concern for Puget Sound ports is the “land border loophole” created by the HMT. While the tax is assessed on ocean-going international imports that land at U.S. ports, it is not assessed on importers who route cargo through non-U.S. ports (such as Canada and Mexico). Those ports then move their cargo into U.S. markets by land. This disparity makes it cheaper for international importers to divert cargo to non-U.S. ports such as Prince Rupert in British Columbia to avoid the HMT in Washington.

### AT: Perm – Do CP

**Perm is severance--- the cp would revert to pre-1986 funding mechanisms---that excludes HMT**

**AAPA 9** (American Association of Port Authorities, “Questions and Answers about America's Ports and the Harbor Maintenance Tax”, <http://www.aapa-ports.org/Issues/content.cfm?ItemNumber=1004>, ZBurdette)

Q. What is the Harbor Maintenance Tax?

A. In 1986, Congress created the Harbor Maintenance Trust Fund to pay for a portion of channel maintenance dredging. (Previously the Federal Government funded maintenance dredging of Federal navigation channels from General Treasury revenues.) Originally, revenue for the Harbor Maintenance Trust Fund was generated by assessing a .04 percent fee (the "Harbor Maintenance Tax" or HMT) on the value of export, import and domestic cargo moving through the nation’s deep draft ports. At the same time, local cost-sharing was instituted for funding new construction projects (widening and deepening) projects.

**HMT is a special fund---that’s distinct from general funds**

**DOF No Date** (California Department of Finance, “Description of Fund Classifications in the Treasury”, <http://www.dof.ca.gov/html/bud_docs/fndclass.pdf>, ZBurdette)

General Fund. Used to account for all revenues and activities financed therefrom which are not required by law to be accounted by any other fund. Most state expenditures are financed from the General Fund. Normally, the only difference between the General Fund and the other governmental costs funds is the restriction placed on the use of the other governmental cost funds.

Special Funds. Consists of governmental cost funds used to account for taxes and revenues which are restricted by law for particular functions or activities of government. The funds included in these classifications are primarily for the regulation of businesses, professions and vocations; transportation; law enforcement; and capital outlay.

**General treasury funding is distinct**

**WSL 6** (“WAC 390-05-510”, <http://apps.leg.wa.gov/wac/default.aspx?cite=390-05-510>, ZBurdette)

"General treasury funds" means a collective designation of all of the assets of an organization which furnish the means for defraying the necessary, usual, ordinary running and incidental expenses of an organization. General treasury funds are typically not derived from a special solicitation, effort, or receipt, but derive from regular, planned for, and ongoing revenue streams or sources.

## Private Sector CP

### 1NC

#### **The United States federal government should devolve port dredging authority to the private sector.**

#### **Dredging should be transferred to private ownership** – empirics prove solves better

Edwards '5 Chris is the Director of Tax Policy at the Cato Institute (Cato Institute, "Privatize the Army Corps of Engineers", October 2005, http://www.cato.org/pubs/tbb/tbb-0510-27.pdf)

Reform Options To solve these problems, the civilian activities of the Corps should be transferred to state, local, or private ownership. A rough framework for reform might be: • Privatize: port dredging, hydroelectric dams, beach replenishment, and other activities that could be supported by user fees and revenues. • Transfer to lower governments: levees, municipal water and sewer projects, recreational areas, locks, channels, and other waterway infrastructure. Such reforms could accompany broader reforms to U.S. ports and waterways. For example, U.S. ports are owned by state and local governments and are dredged by the Army Corps. But ports could be privatized, and they could purchase dredging services in the marketplace. The harbor maintenance tax could be repealed, and ports could recover dredging costs from port users. For example, if the $286 million Delaware River dredging project made sense, it could be funded by the refineries and other industries along the river that would be the beneficiaries. In Britain, 19 ports were privatized in 1983 to form Associated British Ports. ABP and a subsidiary UK Dredging sell port and dredging services in the marketplace. They earn a profit, pay taxes, and return dividends to shareholders. 11 Two-thirds of British cargo goes through privatized ports, which are highly efficient. In the United States, there are complaints that governments are not investing enough in port facilities and dredging to the detriment of U.S. international trade. If ports were privatized, they could invest and expand as needed to relieve congestion and accommodate larger ships.

### Ext: Solvency

CAN generate sufficient funding

-solves government inefficiencie

#### **Only the private sector solves- new federal funding fails**

Edwards '12 Chris is the Director of Tax Policy at the Cato Institute (Cato Institute: Downsizing Government,"Cutting the Army Corps of Engineers", March 2012, <http://www.downsizinggovernment.org/usace>)

 Many of the Corps' activities should be privatized. Activities such as harbor construction and maintenance, beach replenishment, and hydropower generation could be provided by private construction, engineering, and utility companies. Those companies could contract directly with customers, such as local governments, to provide those services. Consider the Corp's harbor maintenance activities on the seacoasts. These activities are funded by a Harbor Maintenance Tax (HMT) collected from shippers based on the value of cargo. The tax generates about $1.4 billion a year and is spent on projects chosen by Congress and the Corps. But the federal government is an unneeded middleman here—port authorities could simply impose their own charges on shippers to fund their own maintenance activities, such as dredging. By cutting out the middleman, ports could respond directly to market demands, rather than having to lobby Washington for funding. Groups representing shipping interests complain that Congress is not spending enough on harbors to keep America competitive in international trade. But the current federal system allocates funds inefficiently, creating large cross-subsidies between seaports. The Congressional Research Service notes that harbor maintenance funds are often "directed towards harbors which handle little or no cargo" and "there is no attempt to identify particular port usage and allocate funds accordingly."91 The Port of Los Angeles, for example, generates a large share of HMT revenues, but it receives very little maintenance spending in return. The Congressional Research Service further explains: Examining where trust fund monies have been spent indicates that little or no shipping is taking place at many of the harbors and waterways that shippers are paying to maintain. . . . Given the amount of HMT collections not spent on harbors, and the amount spent on harbors with little or no cargo, a rough estimate is that less than half and perhaps as little as a third of every HMT dollar collected is being spent to maintain harbors that shippers frequently use.92 The solution to these sorts of inefficiencies is not more federal funding, but greater port independence and self-funding. One step toward that goal would be to privatize U.S. seaports, which are generally owned by state and local governments today. Britain pursued such reforms in 1983 when it privatized 19 seaports to form Associated British Ports (ABP).93 Today ABP operates 21 ports, and its subsidiary, UK Dredging, provides dredging services in the marketplace. ABP and UK Dredging earn profits and pay taxes. Today two-thirds of British cargo goes through efficient privatized seaports.94 One advantage of private seaports is that they can expand their facilities when market demands warrant, free of the uncertainties created by government budgeting.

### AT: Army Corps Good

#### **Corps not key- authority can be transferred- successful projects in Europe prove- that’s Edwards**

#### **Army Corps bad- wasteful earmarks and misallocated funding- Levees prove**

Edwards '5 Chris is the Director of Tax Policy at the Cato Institute (Cato Institute, "Privatize the Army Corps of Engineers", October 2005, http://www.cato.org/pubs/tbb/tbb-0510-27.pdf)

A Pork Barrel Machine for Congress Congress has used the Army Corps as a pork barrel spending machine for decades. Funds are earmarked for low-value projects in the districts of important members of Congress, while higher-value projects go unfunded. Federal decisions on spending for local infrastructure are often based on political pull, not on economic analysis. That is true for the Army Corps and for federal spending on airports, highways, transit systems, and other facilities. The Washington Post notes that “powerful members of Congress dictate the selection, pace, and price tag for major projects” of the Army Corps. 2 Indeed, data from Citizens Against Government Waste show that Congress inserted 1,073 special interest, or pork, projects into the Corp’s budget for 2005. 3 The result is that while levee upgrades in New Orleans were stalled, dubious projects in other states moved ahead. The Corps epitomizes the “iron triangle” that produces excess and misallocated federal spending. It tends to favor expensive projects that expand its empire and please its political overlords. Politicians use the agency’s budget to curry favor with special interests in their districts. Of course, those interests would rather have federal taxpayers fund their projects than pay for them locally. One problem with the federalization of local infrastructure is that it makes local officials complacent about planning for their own needs. Louisiana politicians have complained that the Bush administration underfunded New Orlean’s levees, but they were closest to the problem and should have funded the upgrades themselves.

### AT: Federal Review

#### Not a deficit: the federal government can still conduct reviews of private sector projects—EPA regs prove

#### Private Sector can apply for environmental review for port dredging

EPA '94 Environmental Protection Agency ("The Dredging Process in the United States: An Action Plan for Improvement " December 1994, http://water.epa.gov/type/oceb/oceandumping/dredgedmaterial/upload/oceans\_ndt\_publications\_1994\_report.pdf)

The U.S. Army Corps of Engineers (Corps) dredges and disposes of about 300 million cubic yards of dredged material annually from Congressionally-authorized navigation improvement and maintenance projects. In addition, permit applicants (e.g., port authorities, terminal owners, industries, and private individuals) dredge an additional 100 million cubic yards annually from navigation projects (i.e., ports, berths, and marinas). The Corps reviews projects and issues permits for dredging and dredged material disposal in accordance with the Rivers and Harbors Act (RHA), the Clean Water Act (CWA), and the Marine Protection, Research and Sanctuaries Act (MPRSA); Congressionally-authorized projects conducted by the Corps do not receive permits but must comply with the same substantive permitting procedures and requirement.

### AT: Private Sector Interest

#### **Massive private sector interest**

Abbott 08- Editor of AAPA Seaports Magazine (Paul Scott, “Canal expansion demands swift infrastructure action”, Seaports Magazine, Summer, http://www.aapaseaports.com/pdf\_issues/AAPASeaports\_Summer2008.pdf) CS

Private interest increases Interest of private enterprise in ports is now extending beyond that of ocean carriers and terminal operators - such as Ports America and its concessions for Port of Oakland and Port of Baltimore berths and, most recently, the agreement of Philippines-based International Container Terminal Services Inc. to operate Terminal 6 of the Port of Portland, Ore. - to encompass entities not traditionally associated with seaports. CenterPoint Properties Trust's executive vice president for infrastructure and transportation, Neil Doyle, told Tampa workshop attendees that he sees integrated intermodal centers driving port volumes, with, for example, multimodal facilities his firm has in Illinois directly spurring Virginia port volume growth. Enhanced rail corridors, on which railroads are spending billions of dollars, with an added boost from state and federal sources, will provide swifter links and allow moves of double-stacked containers from ports to inland centers. Oakbrook, Ill.-based CenterPoint has been so enthusiastic, even amid the recession, that it last year made a $3.5 billion concession offer for Virginia Port Authority container facilities - an offer succeeded by a similarly unsolicited proposal from a Washington-based private equity firm, the Carlyle Group. VPA officials are still mulling the offers. In April, CenterPoint, which largely is owned by the California Public Retirement System, made a $3.5 billion offer to enter into a 60-year partnership with the Port of Galveston, a bid that that port's director, Steven M. Cernak, said would be carefully considered. And other ports are actively seeking private investment, including the efforts of the Commonwealth of Pennsylvania soliciting a private partner for the Philadelphia Regional Port Authority's new Southport marine terminal. That initiative was announced May 12, the same day the Port of Portland signed its 25-year lease with ICTSI.

## Shipping Act CP

### 1NC

#### CP Text:

**The United States federal government should amend the Shipping Act to provide port authorities with the express power to impose fees for the construction, operation, and maintenance of qualifying port-related infrastructure and development initiatives.**

#### CP solves new port construction, security measures and environmental protection

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

Containerized cargo is here to stay, but what is less certain is how the United States will fund new infrastructure and development to accommodate its proliferation within the shipping industry. n27 In recent years, members of Congress have proposed legislation to fund infrastructure and development at U.S. seaports. n28 Three of these proposals create a fund based on a tax or fee assessed on the value of goods entering or leaving the United States. n29 A separate proposal concerns the creation of an infrastructure bank that, with an initial government contribution of $ 10 billion, would "leverage private-public partnerships and maximize private funding" to fund infrastructure and development projects. n30 Two of these proposals died in committee during the 111th Congress, n31 and the other two have been reintroduced in the 112th Congress after failing to be enacted in previous legislative sessions. n32¶ [\*1529] The hands of local port authorities, however, are tied by constitutional and statutory constraints, rather than a lack of consensus. n33 Port authorities generate revenues through the management of port facilities. n34 The ability of port authorities to assess taxes on shippers "for the privilege of entering, or trading, or lying in a port or harbor" n35 is precluded by the United States Supreme Court's interpretation of the Constitution's Tonnage Clause. n36 The Court has, however, recognized a State's ability to assess a charge on shippers for actual use of port facilities that is fairly apportioned to "opportunities, benefits, or protection conferred or afforded by the taxing [authority]." n37 Congress placed additional constraints on state regulatory authority with the passage of the Shipping Act. n38 The Shipping Act provides that port authorities cannot "fail to establish, observe, and enforce just and reasonable regulations and practices relating to or connected with receiving, handling, storing, or delivering property [at ports]" n39 or impose "any undue or unreasonable prejudice or disadvantage with respect to any person." n40 Courts and the Federal Maritime Commission ("FMC") have interpreted this as requiring any fee imposed on a shipper, trucker, marine terminal operator, n41 or beneficial [\*1530] cargo owner n42 (collectively "Port Users") to generate actual benefits to the user on a reasonably equivalent basis. n43 The problem with this fee structure is that it limits the ability of port authorities to assess a fee for the construction and development of large-scale, port-related infrastructure and development projects n44 - the benefits of which would accrue to both those paying and not paying the fee, or the costs of which would be incurred by those not enjoying the benefit.¶ As this Note will discuss, the largest port authorities have proposed or implemented such a fee. n45 These fees are to be assessed on cargo entering or leaving the port and allocated to meet new and existing infrastructure and development needs. n46 The fees are also viewed as necessary revenue generating mechanisms to meet new security mandates adopted by Congress in the wake of September 11, 2001 n47 and [\*1531] environmental initiatives designed to reduce the environmental impacts of port operations. n48 Shipping lines, however, have challenged the validity of port authority fees assessed for port-related freight rail and roadway improvement projects before the FMC. n49 Whether these fees can or will withstand scrutiny under the Tonnage Clause or Shipping Act has yet to be determined.¶ Given the lack of consensus and certainty in how funding should best be generated to meet critical infrastructure and development needs, this Note proposes an amendment to the Shipping Act to provide port authorities with the express power to impose fees for the construction, operation, and maintenance of qualifying port-related infrastructure and development initiatives. n50 The amendment would effectively spread the costs specific to qualifying initiatives over the useful life of the project. The U.S. Department of Transportation would first be required to approve any project qualifying for funding under the amendment.

#### CP solves jobs, increases tax revenues and ensures global competitiveness.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

Significant debate has arisen over how to address the need for new infrastructure and development at U.S. seaports. The proposal outlined in this Note is intended to address several shortcomings in the solutions proposed by federal and state actors; however, this proposal requires that federal, state, and industry actors unify their goals and cooperatively support a statutory amendment to the Shipping Act. In this way, port authorities can work with all stakeholders to ensure that the costs associated with this monumental undertaking provide a lasting solution that generates proportionate benefits. One express purpose behind the drafting of the Shipping Act is to "promote the growth and development of U.S. exports through competitive and efficient ocean transportation and by placing greater reliance on the marketplace." The construction, maintenance, and operation of U.S. seaports by port authorities is just such a market. Allowing port authorities to control the collection and reinvestment of a per-container cargo fee would be regulated through market forces (i.e., competition between ports), while facilitating economic recovery through job creation, [\*1569] the generation of federal, state and local tax revenues, and global competitiveness in the fast-evolving trade in containerized cargo.

### Ext: Solvency

#### CP is a better option than allowing federal government to collect fees and run projects.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

This proposal might give pause to federal and industry actors. These parties would likely argue that a more uniform implementation, collection, and distribution of the fee could be achieved under the direction of the federal government. This argument, however, fails to recognize that port authorities are local actors who can best determine which projects will best generate value for users and beneficiaries of that particular port. n296 Additionally, port authorities are in direct competition for discretionary cargo, n297 which provides an incentive to develop a fee tailored to specific projects that would best grow the region and cater to the needs of the shippers and cargo owners calling at that port. n298 Port authorities and shippers alike can draw a lesson from the federal government's handling of the HMTF, which [\*1567] has accrued a surplus of more than $ 5 billion due to annual revenue collections totaling more than $ 1.4 billion and disbursements averaging less than $ 800 million during the 2004 to 2009 period. n299 A federally regulated infrastructure fund - like those proposed in the ON TIME Act, n300 The MOVEMENT Act of 2009, n301 and the National Freight Mobility Infrastructure Fund n302 - would subject disbursements to congressional approval and political posturing. n303 Providing port authorities with the power to impose and invest fees collected under the amendment would best ensure responsive and efficient investment in critical port-related infrastructure projects. n304

#### The plan doesn’t solve – the same reason HMTF funds aren’t being spent now proves why the plans implementation will be blocked by bureaucrats and the cp solves better.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

A third problem with a congressional solution is that the distribution of funds would be contingent on congressional action. The HMTF is one example of how the members of Congress can create a fund to meet an existing need and subsequently fail to allocate funds to needy projects. The HMTF is funded with tax revenues assessed on the value of imported goods, which Congress may use for the dredging and maintenance of waterways and channels. n178 "In recent years, HMTF annual expenditures have remained relatively flat while [Harbor Maintenance Tax] collections have increased due to rising import volume ... . Consequently, a large "surplus' in the HMTF has developed. Despite the surplus, the busiest U.S. harbors are not being fully maintained ... ." n179 This surplus has engendered debate over whether members of Congress are adequately responsive to the needs of ports n180 and has even prompted Senator Carl Levin to sponsor the [\*1550] Harbor Maintenance Act of 2011 to guarantee that funds collected are disbursed for necessary projects. n181¶ The short-term problem with these bills is that they must be passed and implemented. The proposed solutions are complex and produce significant bureaucratic hurdles with respect to their implementation. For example, the ON TIME Act requires establishing 300 separate collection points at different border locations before the collection of funds can begin. n182 Further, the ON TIME Act, the MOVEMENT Act of 2009, and the National Freight Mobility Infrastructure Fund provide for a broad range of road, freight rail, airport, and seaport-related projects. n183 Agreeing upon and administrating a broad range of eligible projects could create an administrative backlog and hinder timely congressional action. As discussed below, local authorities could administrate a more efficient and sustainable solution.

#### Counterplan is the most effective fund raising mechanism

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

¶ A. Congressional Proposals¶ ¶ Congressional representatives have introduced several bills designed to generate funding for investment in infrastructure at U.S. seaports. These bills rely primarily on the constitutionally delegated power to tax and spend. n143 Tax and spend measures, however, are limited by the Constitution's Export Clause, which categorically bars Congress from imposing a tax on exports. n144 Alternatively, user fees [\*1546] assessed on Port Users may capitalize on both imports and exports, thus allowing for a more effective revenue generating mechanism for reinvestment in infrastructure and development.

#### CP increases flexibility, solves fast transportation of cargo, and maximizes benefits to stakeholders.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

 [\*1568] Finally, the proposed amendment would not preclude the ability of port authorities to form private-public ventures to generate funding and develop infrastructure. The amendment would provide port authorities with complete discretion as to whether the fees should be assessed at all. n306 The amendment would only provide port authorities with Congress' express authority to impose fees within reasonable parameters established by the amendment and the Constitution's Export Clause. n307 In this way, port authorities could modernize the way goods are transported through U.S. ports with the requisite flexibility and authority to maximize the benefits for all stakeholders and shareholders.

CP is the most effective way of funding large infrastructure projects.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

Two long-term problems with the bills discussed above are that the Export Clause limits the revenue generating potential of congressional tax and spend measures n176 and that the bills only partially fund qualifying projects. n177 A broader fee assessed on all cargo - not just imports - would generate revenues more quickly and best provide funding in full for capital-intensive infrastructure and development projects.

#### CP ensures quick creation and funding of projects.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

The structure of the amendment also addresses the argument that once enacted, the charge would be difficult if not impossible to repeal. Fees would only be collected for qualifying projects, which once completed would no longer qualify for additional funding. The amendment would ensure that projects are begun and funded in a timely manner by requiring port authorities to receive U.S. Department of Transportation approval on design and build plans for eligible projects before the end of the fifth year following enactment. Once the useful life of the project expires, maintenance and operation funds could then be collected directly from the users availing themselves of those facilities.

### NIB Solvency

#### CP solves ports better than the National Infrastructure Bank

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

B. National Infrastructure Bank¶ ¶ President Obama resurrected the discussion of a National Infrastructure Bank during a 2010 Labor Day speech n184 and in his calls for increased infrastructure investment during the 2011 State of the Union Address. n185 On March 15, 2011, Senators John Kerry and Kay [\*1551] Bailey Hutchison introduced the Building and Upgrading Infrastructure for Long-term Development ("BUILD") Act. n186 The BUILD Act creates an American Infrastructure Financing Authority ("AIFA"), a type of infrastructure bank, to help "facilitate investment in, and long-term financing of, economically viable infrastructure projects of regional or national significance ... ." n187 An eligible project could include roads, bridges, rail, water systems, or power grids. n188 The BUILD Act provides for an initial government investment of $ 10 billion n189 that could "leverage up to $ 600 billion in private investments to repair, modernize, and expand ... [the United States'] ailing infrastructure system." n190 The AIFA's Board of Directors would be responsible for monitoring and overseeing the funding of eligible projects. n191 In meeting eligibility requirements, projects must have a minimum estimated cost of $ 100 million; however, qualifying projects in rural areas would need to demonstrate costs equal to or greater than $ 25 million. n192¶ Setting a lower cost threshold for rural areas is an improvement over a previous infrastructure bank proposal, n193 which would have allocated funds only for projects with an estimated cost equal to or greater than $ 75 million. n194 In the context of addressing the current infrastructure and development crisis specific to U.S. ports, however, [\*1552] the BUILD Act presents two potential issues: (1) establishing a functional infrastructure bank could take a significant amount of time, and (2) the scope of project eligibility is very broad. A more targeted and expedited funding mechanism could be achieved through the assessment of cargo-based fees, which would be collected and reinvested by local authorities. n195

### Coercion Net Benifit

#### Coercion is a net benefit – the cp charges the user.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

Industry actors cannot argue that, regardless of how the charges are assessed, the payor would shoulder an unequal burden of the short-term costs. In contrast, the amendment would reduce the amount of the fee that is imposed by providing adequate cost spreading over the useful life of the project. Further, short-term costs could be alleviated by quick adjustments in the cost of services, ultimately passing expenses through to the ultimate beneficiary - the consumer. n305

### AT: Angers Shipping

#### The amendment will placate shippers

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

 [\*1532] Shippers vehemently oppose a congressional green light for port authorities to assess fees for general improvements, n51 but shippers also recognize that there is a significant problem arising out of increasingly modernized and automated shipping operations and the United States' currently outdated and outmoded port infrastructure. n52 A carefully crafted amendment to the Shipping Act can provide the shipping industry with reasonable assurances that a new fee will be accompanied by a proportionate benefit. n53

#### CP best accounts for the opinions of stakeholders.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

III. Proposed Reform¶ ¶ Port authorities have not openly considered the imposition of a cargo-based fee on Port Users since 2008. n283 Prior to March 2011, no port authority had implemented this type of fee structure to fund port-related infrastructure and development projects. n284 The FMC has followed the instruction and guidance provided by courts in analyzing whether particular fees are permissible under the Shipping Act. n285 Given that the cargo-based fees as proposed or implemented by the three largest U.S. container ports do not have the express consent of Congress, they are vulnerable to challenge under the Shipping Act and Tonnage Clause. n286 In fact, on August 5, 2011, nine shipping lines challenged PANYNJ's Cargo Facility Charge as a violation of the Shipping Act's prohibition on unreasonable and discriminatory practices. n287¶ As discussed above, federal, state, and industry actors agree that investments in infrastructure and development are critical to the future competitive position of the United States. n288 The concerns expressed by stakeholders can best be mitigated through an amendment to the Shipping Act expressly providing port authorities with the power to assess cargo-based fees on Port Users for qualifying transportation [\*1565] projects, environmental initiatives, and port security measures. n289¶ Under this amendment, fees would be assessed and collected directly by port authorities and may be assessed on any individual in the supply chain (i.e., shipper, trucker, marine terminal operator, or beneficial cargo owner) at the discretion of the port authority. n290 This amendment would allow port authorities broad power to incorporate fees into their current business model in a flexible and seamless manner.

### AT: Too Slow

#### Slow transition good – gives ports time to adapt.

**Leach 10** (Peter, <http://www.joc.com/maritime/locked-growth>, “Locked In for Growth” Feb. 1, twm)

But importers of goods from Asia probably will wait before switching to all-water services to see if the bigger ships can offer large enough advantages over the mini-landbridge route from West Coast ports to the Midwest.¶ It’s far too soon to tell how the pricing of the bigger-volume all-water services to the East Coast will shake out, but some observers say a lot of the switch to all-water service already has happened and that future shifts will be small.¶ “The expansion of the canal will be a bump, not a sea change,” said Asaf Ashar, research professor at the National Ports and Waterways Institute at the University of New Orleans. “We won’t see much of a change — maybe a percent or two — because most of the big retailers are already going all-water.”¶ That may not be such bad news for East Coast ports. If the volume of all-water service to the East Coast grows more slowly than originally projected, it may prove a blessing in disguise for many East Coast ports that haven’t been able to move ahead with dredging or construction projects as quickly as they had hoped.¶ Right now, only Norfolk, Va., Charleston, S.C., and Halifax, Nova Scotia, have the 50-foot-plus channel depth to accommodate the 12,500-TEU ships that will be able to transit the new locks. Baltimore has signed a deal with Ports America, which will take over operation of the Seagirt Container Terminal and dredge its depth to 50 feet by 2014. New York-New Jersey is dredging its channel to 50 feet, but the low air draft of the Bayonne Bridge will curtail access to the big terminals in New Jersey and Staten Island until the bridge can be raised or razed.¶ But even the economies of scale of bigger ships may not be enough to convince container ship companies to take them to the East Coast because demand may be insufficient.

#### Counterplan ensures that funding will go to improve facilities – market forces.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

As to the second concern, industry actors want assurance that new fees will provide equivalent benefits, without additional onerous administrative requirements. n133 A federal authority may be best equipped to ensure a uniform administration; however, members of Congress have in the past raised significant funds for port-related maintenance and development and subsequently failed to disburse them. n134 As one example, Congress created the Harbor Maintenance Trust Fund ("HMTF") for the purposes of generating revenues for harbor dredging projects. n135 In the last six years the HMTF has accumulated a surplus in excess of $ 5 billion. Meanwhile, many harbor deepening projects have stalled without funding. n136 Local port authorities, alternatively, compete for the business of MTOs and shippers who process and transport discretionary cargo (i.e., goods that are unloaded from ships and transported to locations more than 260 miles from the port). n137 In a market with high elasticity, such as with discretionary cargo, the business flows to the most efficient bidder. n138 [\*1545] Greater volumes of discretionary cargo result in more jobs, taxes, and growth in infrastructure - meaning that ports have an incentive to minimize charges. n139 Additionally, shippers and MTOs are stakeholders in port operations. Dialogue and responsiveness between local and industry actors would likely result in reinvestments in those areas most beneficial to users paying the fee. Both of these factors would contribute to a reduction in transaction costs and place control over the allocation of funds in the hands of those who are most invested in the region's critical revenue enhancing projects - local authorities. n140

### AT: Unconstitutional

#### CP is necessary to ensure port fees won’t be overturned by the courts.

Cook, JD Candidate, 11

(Christopher, 38 Fordham Urb. L.J. 1523, “FUNDING PORT-RELATED INFRASTRUCTURE AND DEVELOPMENT: THE CURRENT DEBATE AND PROPOSED REFORM”, lexis, twm)

Finally, the Infrastructure Fee and Cargo Facility Charge would not likely constitute a tax under the Tonnage Clause. Both fees, at least in part, fund the repair, maintenance, and operation of existing freight rail and roadway projects. n279 Under Clyde Mallory, these fees would be justified on grounds that the use of these projects confers a measurable benefit on the payor in the form of reduced time for loading and unloading and, consequently, less fuel consumption in the ports. Even under U.S. Shoe, one could argue convincingly that the fees - approximately $ 4.95 per TEU under the Cargo Facility Charge and $ 10 per TEU under the Infrastructure Fee - are a "fair[] match [to] the ... use of port services and facilities" n280 and, therefore, are not an impermissible duty of tonnage. n281¶ The cargo-based fees proposed or implemented at the three largest U.S. ports generate revenue for reinvestment in port-related infrastructure and development projects. Both fees likely withstand challenge under the Tonnage Clause, but their sustainability is uncertain under the Shipping Act. n282 Given the need to generate new funding for infrastructure and development at U.S. seaports, Congress should expressly authorize port authorities to assess fees on Port Users for [\*1564] reinvestment in port-related improvements by amending the Shipping Act.

## States CP

### 1NC

**Text: The fifty state governments and relevant territories should [do plan]**

**States can fund dredging alone**

**WCN 12** (World Cargo News, 30 April 2012, “Georgia, South Carolina dig deep to fund dredging”, <http://www.worldcargonews.com/htm/w20120430.750171.htm>, ZBurdette)

If they have to, Georgia and South Carolina will finance their harbour deepening projects on their own rather than wait for federal funding. Ayear ago the US Congress announced a ban on “ear marks,” adding the cost of specific projects to appropriations bills. This is expected to make getting federal funding longer and more difficult.

### Ext: Solvency

**Laundry list of states prove they can act alone**

**Tate 12** (Curtis, McClatchy Washington Bureau, “As states seek funds for deeper ports, will ships come in?”, <http://www.mcclatchydc.com/2012/05/02/v-print/147455/as-states-seek-funds-for-deeper.html>, ZBurdette)

A wider, deeper Panama Canal will open in 2014, meaning that bigger cargo ships filled with more containers of consumer goods can move directly to the population centers of the East Coast instead of stopping on the West Coast and sending the goods across the country.

States with seaports along the Atlantic are asking for hundreds of millions of federal dollars to deepen their harbors and shipping channels to accommodate the bigger ships and capture a slice of the growing traffic.

But some global supply-chain experts say the optimistic pre-recession projections of a huge shift in cargo from West Coast ports to East Coast ports no longer add up. Even the U.S. Army Corps of Engineers, which conducts feasibility studies for such projects and often does the dredging, expects little change in cargo volume at those ports.

John Lanigan, the chief marketing officer for freight rail hauler Burlington Northern Santa Fe, which runs dozens of double-stacked container trains every day from West Coast ports to the Midwest and Southeast, said he didn’t expect a major diversion of cargo to the canal.

“The opening of the canal is not going to make it any faster for freight to get to the East Coast,” he said. “The only thing that really changes is that bigger ships will be able to go through the canal.”

Even so, Republican governors in South Carolina, Georgia and Florida, who were elected on platforms of fiscal conservatism, are still hoping that the federal government will pay for some of the cost of the harbor-deepening projects. But just in case the federal funding doesn’t come through, these states have a backup plan: Spend state taxpayers’ money.

Currently the biggest ships that can fit through the Panama Canal can carry only about 4,000 containers, metal boxes full of consumer goods that can be transferred from ship to train to truck. The new, so-called post-Panamax ships will carry double or triple that volume. But because the ships are bigger and heavier, they also require water depths approaching 50 feet.

The ports of Norfolk, Va., Baltimore, and New York and New Jersey have that depth now or will soon. Farther south, the ports in Charleston, S.C., Savannah, Ga., and Miami don’t want to see the bigger ships pass them by.

“I don’t know too many ports that have gambled on shallow water that have stayed in the game,” said Kevin Lynskey, the assistant director for seaport business initiatives at the Port of Miami. “If we didn’t dredge and other people did, we certainly would lose more containers.”

Proponents of harbor-deepening projects say they’re vital for local and state economies and will create thousands of jobs in a country that’s still reeling from the deepest economic downturn since the Great Depression.

“It’s the biggest strategic issue for South Carolina today,” said Jim Newsome, the chief executive of the South Carolina Ports Authority, which needs $300 million to deepen the 45-foot harbor in Charleston to 50 feet by 2020. “Businesses locate near ports; that’s the bottom line.”

But Jean-Paul Rodrigue, a transportation scholar at Hofstra University, said it didn’t make sense for Charleston, Savannah and Miami all to have deeper harbors without more business.

“You need a lot of volume,” he said. “It’s not certain those ports can generate that level of volume.”

Several factors make a significant shift from one coast to the other unlikely. The first is speed. It’s less expensive for a ship to go the all-water route to the East Coast instead of docking on the West Coast and offloading containers onto trucks or trains, but it also takes at least a week longer. For consumer electronics and other high-end goods that need to get to store shelves quickly, retailers will pay more for faster transit times.

Second, ports in Los Angeles, Long Beach and Oakland, Calif., and Seattle and Tacoma, Wash., are deep enough to handle the bigger ships. They have warehousing space for containers, and they have highly developed rail connections to the Midwest and Southeast.

“Why not just unload all of it here?” asked Art Wong, a spokesman for the Port of Long Beach, which is second only in volume to Los Angeles in the U.S. “We hope to maintain those kinds of advantages.”

Third, the Panama Canal authority must pay off billions of dollars in construction costs, and it’s unknown how much the canal will charge the bigger ships in tolls. Last, the Suez Canal can handle any size ship, and some cargo ships bound from Asia to North America already use it.

“Depending on what Panama Canal charges in fees, it still makes economic sense to hit LA-Long Beach and be in Kansas City, Chicago or Louisville pretty darn quick,” said Charles Clowdis, the managing director of North American markets at economic forecaster IHS Global Insight.

Rodrigue said the Atlantic states were using the canal as a rationale for their own port expansion plans.

“If I was a port authority, I would be doing the same thing,” he said. “They want to do what they perceive is best for their own ports.”

Newsome is banking on Charleston’s strategic position in a growing Southeast market, and he says the port could feed the region’s bigger population centers such as Charlotte, N.C., and Atlanta.

“We think we’re the only harbor in the Southeast where it makes sense to go 50 feet or deeper,” he said.

South Carolina Republican Gov. Nikki Haley has lobbied President Barack Obama for $120 million for the Charleston harbor but received only enough to complete a study of the project. The state Legislature is considering a bond issue to pay for the federal portion in case the funds don’t come through.

“Gov. Haley has been working on securing funds to dredge Charleston since she was elected governor,” said Rob Godfrey, a spokesman, “and she is confident we will get our federal match and that Charleston will be as deep as necessary to make it the best port in the Southeast."

Georgia also isn’t waiting. Republican Gov. Nathan Deal’s budget now includes about $180 million in state funds for the port of Savannah. He said the state would pay for all of it if necessary, then seek a reimbursement from Washington.

Savannah is 100 miles south of Charleston and boasts the busier of the two ports, but it also has a shallower channel depth of 42 feet. Dredging the Savannah River would cost more than twice as much as Charleston, and would give the port only a 47-foot depth, though the river’s high tides would help accommodate bigger ships, as they do now.

“If you compare the cost of the two projects, they have a lot more to fund,” Newsome said.

Much of the $650 million cost is environmental mitigation. Billy Birdwell, a spokesman for the Army Corps of Engineers Savannah District, said that included the impact on marshes and a wildlife refuge and protecting endangered sturgeon. History also gets in the way: A sunken Confederate vessel that’s in the channel would have to be removed.

An Army Corps of Engineers study, released in January, concluded that the cost of deepening the channel to the port in Savannah is justified in part because it would generate $174 million in annual economic benefits. However, the report also said that no changes in cargo volume were expected as a result of the deeper channel.

Birdwell said economic benefits would come from the efficiencies of the larger ships. Larger ships mean fewer ships, and less congestion getting in and out of the port.

Stephanie Mayfield, a spokeswoman for Deal, said Georgia supported the expansion of both Savannah and Charleston.

“Both ports are of regional and national significance, and there is plenty of business to go around,” she said. “Gov. Deal is committed to funding the state’s share of 40 percent and expects that the federal government will live up to their commitment and fund the remaining.”

Florida Republican Gov. Rick Scott didn’t wait for an answer from Washington on the state’s request for $77 million for the Port of Miami. Just two months after he took office, Scott decided that the state would pick up the tab.

“We chose to self-fund,” said Lynskey, the assistant director at the Miami port. “We do want to get reimbursed by the federal government, but we’re going ahead without knowing.”

On Florida’s west coast, Port Manatee is nearing the end of a decade-long, $200 million expansion and has dredged to accommodate ships that have passed through the Panama Canal.

Miami’s project is less expensive than Savannah’s or Charleston’s, and it might be complete by the end of 2014, Lynskey said. A rail link to the port was rebuilt recently, and a $1 billion road tunnel to reach the harbor will be finished soon. Last month, the port authority reached a deal with environmental groups that had opposed the dredging project out of concern for its impact on coral reefs. Lynskey said the construction bid for the project should be ready by August.

Lynskey said that 60 percent of Florida-bound consumer goods from Asia didn’t come through the state’s ports, instead reaching Florida through Southern California or Savannah. With the deeper port, Lynskey expects Miami cargo volumes to double in the next decade.

“If we get no more than recapturing Florida, we’re going to get our investment back,” he said.

### AT: No Funding

**Links to the aff**

**Nagle 12** (Kurt, American Association of Port Authorities, “Hearing on Harbor Maintenance Funding and Maritime Tax Issues”, February 1, 2012, <http://aapa.files.cms-plus.com/Testimony%20for%20Ways%20and%20Means%20on%20HMT%201FEB2012.pdf>, ZBurdette)

In 1986, Congress instituted the Harbor Maintenance Tax (HMT) in order for the users of these federal channels to pay for the maintenance dredging required to keep channels at their authorized depths and widths. Prior to that time, maintenance of federal channels was totally a federal expense. The new system imposed the HMT to pay for the federal share of maintenance, with local sponsors also at times paying a cost-share based on the depth of the channel. Unfortunately, when devising this new “user pay” system, Congress did not tie the receipts to spending. The subsequent low Appropriations levels have resulted in chronic underinvestment in channel maintenance.

## Bio-D DA

### 1NC

#### Dredging collapses marine biodiversity

OSPAR 2009 (The Convention for the Protection of the Marine Environment of the North-East Atlantic, “Assessment of the environmental impact of dredging for navigational purposes” http://www.ospar.org/documents/dbase/publications/p00366\_dredging.pdf)

Dredging activities have negative impacts on the marine environment ¶ Only limited information is available on the overall effects of dredging activities on species, habitats and ¶ ecosystem processes in the OSPAR Maritime Area. The removal of sediments, greater turbidity or enhanced ¶ erosion, due to dredging activities, can have adverse impacts on habitats such as estuaries, sandbanks, mud ¶ flats and salt marshes. Dredging activities influence the often diverse fauna and flora of these habitats, ¶ including threatened and or declining species or species that are of particular economic interest. Dredging ¶ activities may also lead to a re-suspension of sediments and associated harmful contaminants such as trace ¶ metals and there is a potential that these contaminants may be taken up in the food chain. Deposit of ¶ sediments on the seabed may bury benthos organisms and lead to changes in habitat and biological ¶ communities. Dredging activities also contribute to the cumulative impacts of human activities on the marine ¶ environment.

#### Extinction

Davidson 3 (Founder – Turtle House Foundation and Award-Winning Journalist, Fire in the Turtle House, p. 47-51)

But surely the Athenians had it backward; it’s the land that rests in the lap of the sea. Thalassa, not Gaia, is the guardian of life on the blue planet. A simple, albeit apocalyptic, experiment suggests Thalassa’s power. Destroy all life on land; the ocean creatures will survive just fine. Given time, they’ll even repopulate the land. But **wipe** out the organisms that inhabit the oceans and all life on land is doomed. “Dust to dust,” says the Bible, but “water to water” is more like it, for all life comes from and returns to the sea. Our ocean origins abid within us, our secret marine history. The chemical makeup of our blood is strikingly similar to seawater. Every carbon atom in our body has cycled through the ocean many times. Even the human embryo reveals our watery past. Tiny gill slits form and then fade during our development in the womb. The ocean is the cradle of life on our planet, and it remains the axis of existence, the locus of planetary biodiversity, and the engine of the chemical and hydrological cycles that create and maintain our atmosphere and climate. The astonishing biodiversity is most evident on coral reefs, often called the “rain forests of the sea.” Occupying less than one-quarter of 1 percent of the global ocean, coral reefs are home to nearly a third of all marine fish species and to as many as nine million species in all. But life exists in profusion in every corner of the ocean, right down to the hydrothermal vents on the seafloor (discovered only in 1977), where more than a hundred newly described species thrive around superheated plumes of sulfurous gasses. The abundance of organisms in the ocean isn’t surprising given that the sea was, as already mentioned, the crucible of life on Earth. It is the original ecosystem, the environment in which the “primordial soup” of nucleic acids (which can self-replicate, but are not alive) and other molecules made the inexplicable and miraculous leap into life, probably as simple bacteria, close to 3.9 billion years ago. A spectacular burst of new life forms called the Cambrian explosion took place in the oceans some 500 million years ago, an evolutionary experiment that produced countless body forms, the prototypes of virtually all organisms alive today. It wasn’t until 100 million years later that the first primitive plants took up residence on terra firma. Another 30 million years passed before the first amphibians climbed out of the ocean. After this head start, it’s not surprising that evolution on that newcomer-dry land-has never caught up with the diversity of the sea. Of the thirty-three higher-level groupings of animals (called phyla), thirty-two are found in the oceans and just twelve on land.

### Ext: Dredging Kills Bio-D

#### Dredging wrecks marine bioD

IWR 4/2/12 (Institute for Water Research, US Army Corps of Engineers, “U.S. Port and Inland Waterways Modernization Strategy Options for the Future” PDF http://www.iwr.usace.army.mil/docs/portswaterways/Port\_and\_Inland\_Waterways\_Options\_for\_the\_Future\_Working\_Draft\_v1\_2012\_Apr\_01.pdf)

Excavation of basins and channels, maintenance dredging and dredge material disposal have ¶ extensively impacted river, lake, estuarine and coastal-marine ecosystems. Over 926 harbors ¶ and 12,000 miles of waterways have been developed and maintained (USACE 2010). About 250 million cubic yards of bottom materials have been removed annually in recent years (USACE ¶ 2010). Similar rates of dredging have occurred for decades,disposed of in rivers, estuaries and ¶ deep ocean waters, as well as on shores and wetlands.

#### Dredging destroys reefs

IWR 6/20/12 (institute for water resources, us army corps of engineers, “U.S. Port and Inland Waterways Modernization: Preparing for Post-Panamax Vessels” PDF http://www.iwr.usace.army.mil/docs/portswaterways/rpt/June\_20\_U.S.\_Port\_and\_Inland\_Waterways\_Preparing\_for\_Post\_Panamax\_Vessels.pdf)

Numerous studies of dredging effects completed after NEPA and the Clean Water Act were ¶ passed were reviewed by Allen and Hardy.¶ 61¶ In general, dredging temporarily reduced bottom ¶ organism abundance except in highly altered environments, such as contaminated sediment and ¶ deep channels where depressed productivity and altered species composition often persist. ¶ Sediment toxicity effects bottom organisms, fish and other predators and humans at the end of ¶ the food chain.¶ 62¶ Deepening channels in estuaries can allow saline water to penetrate deeper ¶ into freshwater ecosystems where it may damage wetlands and contaminate water supplies.¶ 63 64¶ Rising sea level associated with global warming may worsen these effects. Dredging in some ¶ scarce ecosystems has had more persistent adverse effects on productivity and species ¶ composition, including unavoidable take of threatened and endangered species¶ 65¶ in shallow ¶ estuary wetlands¶ 66¶ and coral reefs. Dredging impacts on threatened and endangered species ¶ have improved significantly. Sea turtle take, for example, has been reduced to about 35 per ¶ year, which is a small fraction of total human-caused mortality. Past disposal on land created ¶ new habitat that could be more or less desirable than original habitat, depending on the site and ¶ its management. Islands created incidentally from dredged material disposal provided ¶ beneficial refuges for birds¶ 67¶ before dredged material was intentionally used for that and other ¶ beneficial purposes.

## LNG DA

### 1NC

#### **Plan increases US LNG exports**

Ebinger et al. 12 (Charles, Task Force Co-Chair of Brookings Institution Natural Gas Task Force, "Evaluating the Prospects for Increased Exports of Liquefied Natural Gas from the United States", January,Brookings,www.brookings.edu/~/media/research/files/papers/2012/1/natural%20gas%20ebinger/natural\_gas\_ebinger\_2.pdf)

Shipping Capacity

The successful export of LNG will depend upon the necessary shipping infrastructure and capacity being in place. Cheniere Energy is looking to export up to 2.2 bcf/day of gas from its Sabine Pass LNG terminal in Louisiana. 39 Depending on the size of the LNG vessel, this would require between three and five supertankers per week. In order to accommodate this volume of large ships, some domestic U.S. ports will require additional dredging. Other shipping-related concerns include security of vessels and the adequacy of Coast Guard capacity to provide that security (exporters must meet Coast Guard Waterway Suitability, Security, and Emergency standards prior to approval); and the capacity of sea lanes, particularly to Asia. Increasing shipments to Asia will depend on the capacity of the Panama Canal, which is currently too small to accommodate most LNG tankers. However, after the planned expansion of the canal is completed—expected to be in 2014—roughly 80 percent of the world’s LNG tankers will be able to pass through the isthmus, resulting in a dramatic decline in shipping costs to Asia. 40

#### That trades off with Qatari LNG exports—the brink is now

Tuttle 2012 (Robert, Staff Writer for Bloomberg News, March 7, “LNG’s Looming Glut Has Qatar Sealing 20-Year Asia Deals”, <http://www.bloomberg.com/news/2012-03-07/lng-glut-risk-spurs-qatar-s-20-year-export-deals-to-asia.html>)

“The price is quite good,” Ibrahim said of the Korean agreement. “It’s way different from the prices in other markets. The gap is huge between the Far East and Europe and, of course, if you put in the U.S., it’s even bigger.” Pressure on Prices The RasGas agreements, Qatar’s first multi-decade pacts with Asian buyers since 2008, coincide with a 10 percent cut in long-term prices by Russia’s OAO Gazprom, the world’s biggest gas producer, to its pipeline customers in Europe. “What we are hearing is there is pressure on the long- dated pricing of LNG contracts, and it’s possible that Qatar is looking at securing long-term offtake in anticipation of reduced spot prices because of a glut five years down the line,” Neil Beveridge, a senior analyst at Bernstein in Hong Kong, said by phone Feb. 29. “The sense is that the current spot market remains tight but pricing is coming off on the longer-dated contracts.” Global supply of LNG, natural gas chilled to a liquid for ease of transport, will swell by as much as 250 million tons during the next eight years from Australia, North America and Africa, according to Bernstein. World capacity was 270 million tons in 2011, according to the International Energy Agency. Australian Ventures Qatar raised annual LNG capacity to 77 million tons last year with the start of its 14th liquefaction plant. The country originally earmarked as much as one-third of its supplies to North America before diverting some to Asia. Australia is developing eight LNG ventures to take advantage of growing Asian demand for less-polluting alternatives to coal. The projects will add a combined 70 million tons a year of capacity, according to Beveridge. Chevron Corp., Royal Dutch Shell Plc, Woodside Petroleum Ltd., ConocoPhillips and BG Group Plc (BG/) are among those building export plants to supply countries including China. The U.S. will be able to produce about 45 million tons of LNG a year by 2020, according to BG, the U.K.’s third-largest producer. The U.S. exported less than 500,000 tons in 2010, according to U.S. Energy Department data. The U.S. would overtake Qatar as the world’s top LNG producer if planned projects are built, Bros said in a report today. GAIL India Ltd. (GAIL), India’s biggest natural-gas distributor, said in December it agreed to import 3.5 million tons from Cheniere Energy Partners LP in Louisiana. “U.S. LNG is a game-changer, in that Qatar is effectively worried that its oil-linked formula could be at risk after 2020,” Bros said last month.

#### Short term growth key to resiliency and diversification

OBG 4/17/2012 (Oxford Business Group, Oxford Business Group is a global publisher and consultancy producing annual investment and economic reports on more than 30 countries. Every business intelligence report is based on in-country research by experienced analysts, “Qatar: On the rise”, <http://www.oxfordbusinessgroup.com/economic_updates/qatar-rise>)

Clocking the world’s highest growth rate in 2011, Qatar is maintaining expansion despite a difficult international economic climate clouded by the eurozone crisis and doubts over the sustainability of US debt. Indeed, the country saw GDP growth of 14% in inflation-adjusted terms last year, with energy exports its leading economic driver. Qatar is forecast to outstrip global growth again in 2012, though the rate is expected to slow to around 6%, according to the IMF. The energy sector, most notably natural gas, has been the largest driver of economic expansion. The nation is the world’s biggest liquefied natural gas (LNG) exporter, and hydrocarbons as a whole account for more than half of all exports. However, the government’s imposition of a moratorium on the launch of new hydrocarbons projects, with the aim of maintaining reserves over the longer term, is one of the reasons for the slower rate expected this year. Combined with a sluggish global outlook, this may mean exports will be moderate moving forward. It may also, however, mean a welcome refocusing on domestic demand, with public spending and wage rises ensuring the economy keeps ticking over at a good pace. The government is also looking to other sectors to keep growth steady. Infrastructure plans worth $95bn are set to run until 2016, for example, and are aimed at ensuring that public services catch up with economic and population growth, as well as lay the necessary groundwork for Qatar’s hosting of the 2022 FIFA World Cup. As the IMF noted in its January 2012 assessment of the Qatari economy, the spending programme should also help “maintain strong growth in the non-hydrocarbons sector”, crucially supporting the country’s economic diversification programme. One of the aims of this programme is to lower the country’s dependence on energy exports Mohamed Jaidah, the chief development officer of Jaidah Group, a diversified Doha-based conglomerate with interests in segments such as industrial supply, automotive distribution, heavy equipment, furniture and energy services, said that companies based in Doha can leverage the country’s competitive advantages to build a regional presence. Jaidah sees international expansion as a necessity for large and ambitious Qatari firms and argues that it can help support Qatar’s diversification. “The only way to look at Qatar is as a platform to serve the rest of the GCC, because the domestic market is very small,” he told OBG. “Companies need to grow on a regional level. Services are the way to go – for example IT, design, marketing, and other sectors that are easily exportable and not labour intensive.” Positive as the outlook is, the IMF drew attention to a number of downside risks that could affect growth this year and possibly beyond. Lower hydrocarbons prices would indeed curb export earnings, though the first three months of 2012 have indicated an upward trend seems more likely, given tight supply, rising demand and geopolitical factors. The IMF also forecast inflation of 4% this year, at the upper end of the government’s 2-4% expectation. The IMF expects rents – a major component in the consumer price basket – to stop falling in the medium term, thus slowing the drag they have put on inflation. Closer oversight of financial institutions by the Qatar Central Bank (QCB) to ensure that credit quality does not fall, that risk assessment remains rigorous and that thorough stress-tests are undertaken is also recommended, the IMF said. The fund also stated it was advisable for the QCB to take a more active role in liquidity management. The report also indicated that the government’s aim of fully financing its budget from non-hydrocarbons revenues by 2020 will involve making substantial medium-term savings. A programme of monetary and fiscal reform over the coming years would ensure that the country’s long-term future is secure, with a lower proportion of GDP and government revenues coming from hydrocarbons and more coming from the private sector. The country is in the fortunate position of having time to make these adjustments, while also having ample resources to invest in infrastructure, public services and diversification that will support the economy. Qatar continues to enjoy a strong growth rate and has the opportunity to build its position as one of the world’s most dynamic economies.

#### Qatar’s regional influence is critical to stability in the Middle East – its financial prowess is a key variable

Blanford 08 – Beirut correspondent for the Christian Science Monitor

(Nicholas, Christian Science Monitor, “Why Qatar is emerging as Middle East peacemaker, 5-23-2008, http://www.csmonitor.com/2008/0523/p06s02-wome.html?page=1.)

Doha, Qatar - This tiny Gulf state emerged this week at the forefront of regional diplomacy, successfully shepherding the negotiations between feuding Lebanese factions to end months of political turmoil and violence. With regional powers, such as Saudi Arabia and Iran, aligned behind rival players in Lebanon, Qatar is uniquely suited to help mediate Lebanon's crisis. It's seen as charting an unashamedly independent path in the maze of Arab politics, "Just a year ago, Saudi Arabia was trying to do this [mediation], but Saudi Arabia is considered an interested party. But Qatar is somewhat in between," says Paul Salem, director of the Carnegie Endowment's Middle East Center in Beirut. "Qatar, on the Lebanon issue, is the only country with good relations on both sides and has the money to back it up." Qatar's intense mediation bore fruit Wednesday in a last-minute deal on the composition of the next Lebanese government, an electoral law, the election of a new president, and a future dialogue on the fate of the militant Shiite Hezbollah's weapons. In a highly factionalized Middle East, where the US and Iran and their respective regional allies are struggling for dominance, Qatar is in the unusual position of having a foot in both camps. It remains a key ally of Washington, hosting the Al-Udeid Air Base, the largest US military facility in the region. It enjoys economic ties to Israel, and Israeli officials often participate in meetings and conferences in Doha. Yet Qatar also is Syria's closest Arab friend, investing millions of dollars in major property development projects and providing diplomatic support. The Damascus regime is viewed with hostility by other key Arab states, such as Saudi Arabia, Jordan, and Egypt, for its close ties to Iran and influence in Lebanon. According to Qataris, Syrian President Bashar al-Assad and his wife, Asma, are often seen wandering through Doha's gleaming shopping malls as guests of Emir Sheikh Hamad bin Khalifa al Thani. A thumb-shaped peninsula jutting into the Persian Gulf, Qatar possesses the third-largest gas deposits in the world and last year became the world's largest liquefied natural gas exporter. Oil and gas amount to more than 60 percent of gross domestic product, making it one of the higher per-capita income states in the world. While many Arab Gulf countries fret about Iran's regional ambitions, Qatar enjoys genial relations with the Islamic Republic. In December, Iranian President Mahmoud Ahmadinejad became the first Iranian head of state to attend the annual summit of the Gulf Cooperation Council in Doha. "Qatar is a tiny fish stuck between giants – Iran and Saudi Arabia," says Hady Amr, director of the Brookings Doha Center. "It simply tries to balance all those interests with those of the US. So it does have the US military base, but it actively balances this with deeper relations with Iran." Despite its limited size, Qatar is "rising in regional and even international prominence as a convener of vital conferences," Mr. Amr adds, citing the World Trade Organization's Doha Round and the Asian Games among others.

#### Middle East War Goes Nuclear

John Steinbach, DC Iraq Coalition, ISRAELI WEAPONS OF MASS DESTRUCTION: A THREAT TO PEACE, March 2002, http://www.globalresearch.ca/articles/STE203A.html

Meanwhile, the existence of an arsenal of mass destruction in such an unstable region in turn has serious implications for future arms control and disarmament negotiations, and even the threat of nuclear war. Seymour Hersh warns, "Should war break out in the Middle East again,... or should any Arab nation fire missiles against Israel, as the Iraqis did, a nuclear escalation, once unthinkable except as a last resort, would now be a strong probability." and Ezar Weissman, Israel's current President said "The nuclear issue is gaining momentum(and the) next war will not be conventional." Russia and before it the Soviet Union has long been a major(if not the major) target of Israeli nukes. It is widely reported that the principal purpose of Jonathan Pollard's spying for Israel was to furnish satellite images of Soviet targets and other super sensitive data relating to U.S. nuclear targeting strategy. (Since launching its own satellite in 1988, Israel no longer needs U.S. spy secrets.) Israeli nukes aimed at the Russian heartland seriously complicate disarmament and arms control negotiations and, at the very least, the unilateral possession of nuclear weapons by Israel is enormously destabilizing, and dramatically lowers the threshold for their actual use, if not for all out nuclear war. In the words of Mark Gaffney, "... if the familiar pattern(Israel refining its weapons of mass destruction with U.S. complicity) is not reversed soon- for whatever reason- the deepening Middle East conflict could trigger a world conflagration."

### 2NC Qatar Econ High

#### Qatar economy growing now

Gulf News 7/2 – (7/2/12, “Qatar’s economy grew by 6.9% in first quarter”, http://gulfnews.com/news/gulf/qatar/qatar-s-economy-grew-by-6-9-in-first-quarter-1.1043189)

Qatar’s economy grew 6.9 per cent year-on-year in inflation-adjusted terms in the first quarter helped by a jump in the construction industry, the Gulf Arab state’s statistics authority said on Sunday. The world’s biggest exporter of liquefied natural gas also saw its real gross domestic product rising by 3 per cent in January-March compared with the previous three months, the Qatar Statistics Authority said citing preliminary data. Latest comparable growth rates for the final quarter of 2011 are not available, the authority said, as it has been revising the GDP data for 2011 and 2010. In March it originally reported GDP growth of 14.7 per cent year-on-year for October-December 2011, which it revised to 14.8 per cent in the following month. It put the quarter-on-quarter expansion at 4.6 per cent in April.

#### Economy is growing – GDP increase

John 7/17 - Chief Business Reporter for the Gulf Times (Pratap, 7/17/12, “Qatar’s economic growth outlook remains bright”, http://www.gulf-times.com/site/topics/article.asp?cu\_no=2&item\_no=519442&version=1&template\_id=57&parent\_id=56)

Backed by enormous energy resources, Qatar is set to generate a current account surplus of 31.8% of GDP this year, a leading market researcher has said in its forecast. According to Business Monitor International (BMI), Qatar will also generate current account surplus averaging 27.7% of GDP until 2016, facilitating “further capital outflows” from the country. Current account surplus means Qatar will be producing and exporting more than what it is importing and consuming. In other words, the country will be saving huge amounts of money, enabling it to make investments abroad and create foreign assets. BMI has also revised Qatar’s GDP growth this year and in 2013 in view of what it said the “government’s spending package” announced recently. “We now expect Qatar’s real GDP to grow by 8.1% in 2012, compared with our previous forecast of 7.8%. However, escalating inflationary pressures – which will dull the impact of public-sector wage hikes – have caused us to revise down our real GDP growth forecast for 2013 from 6.6% to 5.8%”, BMI said even as it emphasized Qatar’s “broader growth outlook remains largely unchanged”.

### 2NC Link Wall

#### Deepening ports is key to sustained growth and LNG exports

Abbott 7 (Paul Scott, Editor of AAPA Seaport Magazine, “Ports’ Multi-Billion Dollar Impacts Ripple Throughout the Hemisphere”, Fall 2007, Seaport Magazine, [[http://www.aapaseaports.com/pdf\_issues/AAPASeaports\_Fall2007.pdf](http://www.aapaseaports.com/pdf_issues/AAPASeaports_Summer2012.pdf%29//MG)](http://www.aapaseaports.com/pdf_issues/AAPASeaports_Fall2007.pdf)[)](http://www.aapaseaports.com/pdf_issues/AAPASeaports_Summer2012.pdf%29//MG)

Infrastructure essential Not only must ports provide enough land and cargo-handling facilities to handle trade, as well as adequate connections inland, they also require channels sufficient for transit of increasingly large vessels. As is the case at numerous seaports, the Texas Gulf Coast port of Port Freeport is in the process of feasibility studies to provide data to support the widening and deepening of its channels. This is particularly important at Port Freeport as the liquid-bulk-oriented port looks to the 2008 opening of a liquefied natural gas facility to be served by massive LNG tankers. Port Freeport Managing Director Phyllis Saathoff noted that it is essential that ports pursue opportunities that meet return-on-investment standards – whether it be bringing in tenants for short-term projects or longer-term uses. Some 50 miles north of Port Freeport, the Port of Houston, already the No.1 U.S.port in terms of foreign waterborne tonnage, has this year opened the first phase of its $1 billion-plus Bayport Container Terminal. When the full 1,043-acre Bayport project is completed, it is expected to directly generate 32,000 jobs and more than $2.4 billion in business revenue, according to Port of Houston Authority estimates. A recently released Martin Associates study shows that the Port of Houston’s public and private marine terminals already add $117.6 billion in combined direct revenue, local purchases and related output to the Texas economy, while 785,049 jobs in the Lone Star State are in some way related to the port. With the total volume of cargo shipped through U.S. ports projected by 2020 to be double that of 2000, with containerized cargo volumes likely to triple in the same timeframe, such impact figures clearly will be dramatically rising throughout the nation, provided adequate infrastructure is in place to accommodate this dynamic growth.

#### Price volatility magnifies the link

Heritage Foundation 2012 (“Qatar”, http://www.heritage.org/index/pdf/2012/countries/qatar.pdf)

The Qatari government has pursued reforms to improve the entrepreneurial environment and broaden the economic base beyond oil and gas. The foundations of economic freedom are relatively solid. With a well-functioning legal framework in place, the level of corruption is much lower than the world average. Qatar has promoted a flexible regulatory system for business ventures. Its open trade regime and growing status as a regional financial hub have also contributed to private sector growth outside of the oil and gas industries. While Qatar has made significant progress in laying the institutional groundwork for sustained and diversified economic growth, the volatility of prices continues to undermine macroeconomic stability and entrepreneurial activity. Restrictions on foreign investment and considerable state involvement in the economy are serious drags on generating more vibrant economic dynamism.

### Ext: Volatility

#### Link booster—Qatar’s economy is volatile and vulnerable

Reuters 2012 (“UPDATE 1-Qatar economy grows 14 pct in 2011, likely to slow”, http://af.reuters.com/article/energyOilNews/idAFL6E8ES4WJ20120328)

DUBAI, March 28 (Reuters) - Qatar's economy expanded 14 percent in inflation-adjusted terms last year as energy exports gave it one of the highest growth rates in the world, although the pace was slower than analysts had expected, preliminary data from the Statistics Authority showed on Wednesday. Real gross domestic product of the world's top liquefied natural gas exporter grew 4.4 percent quarter-on-quarter in the final three months of 2011, and 14.7 percent on an annual basis, the data revealed. Last year's growth was below a consensus estimate of 17.5 percent given by a Reuters poll of analysts, and below the International Monetary Fund's latest estimate of 18.7 percent. A statement from the statistics authority did not explain the discrepancy. Qatar's economy relies on hydrocarbons for over half of its output, making growth rates volatile. The economy expanded 16.6 percent in 2010, according to an IMF estimate.

### Ext: LNG Key to Econ

#### And, Qatar’s entire economic future is riding on natural gas

Ijtehadi 02 – Professional profile on LinkedIn

(Yadullah “North Field holds key to Qatar's future riches” 20-11-02. http://www.gasandoil.com/goc/news/ntm25018.htm)

Qatar is making the most of its formidable North Field gas reserves amid a changing energy market. “We are looking at attracting more than $ 25 bn before 2010," Qatar's minister of energy and industry Abdullah bin Hamad Al-Attiya told on the sidelines of the recently concluded 2003 Gastech conference in Doha. To say that Qatar is bullish about its gas potential would be an under-statement. The government is placing the country's entire future on its ability to exploit gas resources estimated at 900 tcf, the third largest in the world. But Qatar is not alone in its optimism. The world's leading energy authorities perceive gas as the future fuel of choice. "Developments across the globe tend to underscore that natural gas is the fuel of the 21st century," says Dr Rilwanu Lukman, OPEC president and Nigeria's presidential adviser on petroleum and energy. "Coal was the fuel of the 19th century and oil of the 20th century. Gas is expected to grow by 3.3 % annually to the year 2005, against 1.8 and 0.8 % growth rates for oil and coal respectively." For Qatar, its current good fortune has come after years of belt-tightening and an iron grip on fiscal policies. And while the past couple of years have seen the private sector suffer due to the government's austerity, they are set to reap the rewards of their patience. According to Al-Attiya, the government has been allocating about $ 1 bn out of the country's limited financial revenues every year for more than 14 years. During this time, however, Qatar did spend on projects of national importance. These include the construction of a modern port in Ras Laffan with export capacity exceeding 30 mm tpy of LNG, in addition to other infrastructure requirements to form a strong basis for gas production and supply projects. "Qatar's strategy in the gas sector is focused on the optimal utilisation of the enormous gas reserves through setting projects to exploit the produced gas liquefied or through pipelines, or to utilise it through gas-to-liquids [GTL] projects in Mesaieed and Ras Laffan Cities, such as fertilisers and petrochemical projects," Al-Attiya adds. Gas has suddenly become the flavour of the month among energy gurus for a host of reasons. Chief among these is the disenchantment with the world's biggest energy source -- oil. Erratic oil prices, and the link between crude supplies with complex geo-political issues, have conspired to make oil a much-resented necessity among consumer countries.

#### And, growing LNG exports will boost Qatar’s economy

IHT, 5 (Simon Romero, “Natural gas powering Qatar economic boom; Growth likened to the Saudi oil bonanza,” 12-22-2005, www.iht.com/articles/2005/12/22/business/qatar.php) // JMP

DOHA, Qatar: "This was a sleepy little town when I moved here eight years ago," said Mohamad Moabi, from an office overlooking dozens of half-built skyscrapers going up above the turquoise waters of this city's crescent-shaped corniche. "Now it's on the frontier of the global economy." Drawing on a cigarette as he gestured northward, Moabi, the Lebanese-born chief economist at Qatar's largest bank, pointed to why this tiny emirate is elbowing aside other energy-rich countries to become the leader in the emerging international market for natural gas. "It helps," he said, "when you have a natural gas field up there that can be extracted for about a century." In a shift drawing historical comparisons to the takeoff of Saudi Arabia's oil industry several decades ago, Qatar has moved swiftly in recent years to develop its huge offshore natural gas reserves - once dismissed as practically worthless because of the difficulty of transporting gas to distant markets - while cementing strong military and economic ties with the United States. Driven by an ambitious, well-educated and open-minded ruling elite, these moves have allowed Qatar to leap ahead of Russia and Iran, the only countries with larger reserves of natural gas, seizing new opportunities to export the fuel to markets in North America, Southern Europe and the Far East. Tankers laden with gas super-cooled to a liquid state already depart each day for Japan and South Korea from the northern port of Ras Laffan, not far from Al Udeid Air Base in the Qatari desert, the U.S. military's main air operations center in the Arabian Peninsula. Soon the ships will start delivering their cargoes to ports in Texas and Louisiana in the most ambitious project to date to bring natural gas from the Middle East to American consumers. Andrew Brown, Royal Dutch Shell's country manager in Qatar, said that greater natural gas and oil production should result in overall daily energy production equivalent to about five million barrels of oil a day by 2012, nearly half the daily oil output of Saudi Arabia. "Over the next five years," Brown said, "Qatar is going to see an energy boom as significant as any other in the past."

#### Gas will surpass oil – key to the economy

Ijtehadi 02 (Yadullah “North Field holds key to Qatar's future riches” 20-11-02. http://www.gasandoil.com/goc/news/ntm25018.htm)

LNG exports will ensure that Qatar's proceeds from gas revenues will exceed that of its crude revenues in the next few years. "Taking into consideration the completed projects, and those under completion or under study, Qatar revenues of gas and related industries are expected to exceed the country's revenues of oil and its products by 2007," says the minister. In October, RasGas signed a Heads of Agreement (HoA) with Italian energy group ENI to supply LNG from Qatar to Spain. The HoA covers the supply of three quarters of a mm metric tpy of LNG for 20 years with deliveries to begin in 2004. To make transportation ready for stratospheric gas demand, RasGas has also signed a time charter for a 138,000 cm LNG vessel to be built by Korea's Samsung Heavy Industries. A consortium of companies including Q-Ship, NYK, Exmar, K-Line and Mitsui OSK Line own the vessel. In addition, Ras Gas has agreed to charter a second LNG vessel, to be jointly owned by Q-Ship and shipping company A.P. Moeller. QatarGas has also embarked on an aggressive growth path. First among these is raising capacity of its three existing trains from 6 mm tpy to 9.2 mm tpy through the removal of bottlenecks, and then add a fourth train in order to meet demand which has been estimated to be up to 15 mm tpy from China, India and Spain alone. The EPC contract for the new project was awarded in late 2001 to a joint venture partnership between Japan's Chiyoda Corporation and France's Technip. The second phase of development involves the installation of a fourth LNG train with a capacity of 4.8 mm tpy. China is considered as the leading potential customer for the new train. China's State Development Planning Commission has given the go-ahead for a $ 500 mm project to be established near the southern town of Shenzhen. In October 2001, a Memorandum of Understanding was signed with Spain's Repsol and Italy's Enel for jointly carrying out a feasibility study for the fourth train. The output of the fourth train is to be marketed by Repsol and Enel. In 2005, when the first phase of the project is scheduled for completion, China expects to import 3 mm tpy of LNG, with this figure rising to 6 mm tpy by 2010. Besides Qatar, Australia, Indonesia and Malaysia are also likely to bid for the related LNG supply contract. The China National Petroleum Company (CNPC), in November 2000 discussed with Qatari officials the prospects of stepping up technical and energy related co-operation in gas projects. QatarGas is also holding talks with Indigas to supply 1.5 mm tpy of LNG with a total of 3 mm tpy in the second phase. QatarGas' long term commitment to LNG deliveries, however, is presently focused on major Japanese buyers: Chubu Electric Power, Tohoku Electric Power, The Tokyo Electric Power, Tokyo Gas, Toho Gas, Osaka Gas, The Kansai Electric Power and Chugoku Electric Power. As supply orders pile up, Qatar is also reportedly on the verge of striking a $ 1 bn deal with South Korea's Samsung Heavy Industries later this year for the delivery of six LNG carriers. The LNG market has dramatically expanded over the past quarter century, as increasingly diverse customer needs have been addressed by this niche fuel. S&P analyst Peter Rigby points to four changes driving an increase in demand, namely, fewer concerns over security of supply, growing spot sales market, a desire to de-link LNG prices from crude oil, and natural gas' growing status as a fuel of choice. This is apparent in European, Far Eastern and North American markets. On the supply side, Algeria and Russia continue to feed Europe's gas needs, but Qatar aims to take a slice of the expanding pie. At the moment, Algeria supplies 35 % of the Mediterranean's gas needs, and its proximity and historical links with European countries makes it a known and credible supplier.

### AT: No Impact

#### Only Qatari diplomacy solves Middle East war—econ is key

Dietz 2012 (David, Middle East Researcher, Policymic, “How Qatar Rose to Become a Leading Player in Middle East Politics” http://www.policymic.com/articles/3526/how-qatar-rose-to-become-a-leading-player-in-middle-east-politics)

More recently, Qatar has set its sights on diplomacy in order to cement its status as a complete world power. In 2007, Emir Khalifa took a bold step in becoming the first Persian Gulf ruler to meet with a high-ranking Israeli official to pursue peace negations in an attempt to further Qatar's image as a neutral and peaceful regional power. In January of 2010, Qatar helped broker Lebanese government reconciliation talks and this past spring, Qatar won widespread support in Libya and across the region after it was the first Arab country to support intervention against the Gaddafi regime. Now, Qatar is at it again as the Emir was the first Arab leader to call for foreign intervention against the al Assad government in the 10-month old Syrian uprising. Qatar's recent show of diplomatic muscle is the result of its careful longterm planning, a unique set of circumstances, and a careful balancing act between its Arab roots and its Western ties. A close ally of America, Israel feels less threatened by Qatar both because of its relationship with the West and the country's unobtrusive regional past. Meanwhile, Arab countries must respect Qatar not only for being one of their own, but for the Kingdom's considerable investments in their countries. The majority state-owned Qatar Investment Authority has postponed much of the six billion dollars of investments tied up in Syria. Instead, Jordan has become the beneficiary of those investments. Similarly, countries such as Palestine, Lebanon, and Morocco have taken advantage of hundreds of millions of dollars from Qatari financial subsidiaries and are thus dependent and beholden to Qatar's support. Should the Arab League follow Emir Khalifa's calls for military intervention in Syria, there will be little doubt as to Qatar's ascendency in the international and diplomatic arena. With a widespread network of economic investments, friendly ties to Iran (which could be crucial in staving off a future crisis) and a modern, progressive mentality, Qatar's rise is an advantageous development for the United States, the Middle East as a whole, and for the possibility of Middle East peace.

### AT: Qatar Econ Not Key

#### Qatar econ key to diplomacy

Young 2011 (Michael, The National, “Pragmatic diplomacy enables Qatar to punch above weight”, http://www.thenational.ae/thenationalconversation/comment/pragmatic-diplomacy-enables-qatar-to-punch-above-weight#page1)

It is a new development that some Arab states now have to figure Qatar in their calculations, as just two decades ago, the bantam-sized emirate was on the margin of the Middle East's political attentions. Yet in the last 10 years, Qatar has skilfully bolstered its power by blending economic might, nuisance value, political counterpoint, diplomatic hardnosedness, ideological solidarity and an adeptness at filling regional political vacuums. Qatar's economic prowess is the result, principally, of its natural gas reserves, estimated to be the world's third largest. The primary medium for the state's nuisance value has been the satellite television station Al Jazeera, long a thorn in the side of Arab rulers, especially during the recent months of upheaval in the Arab world. Qatar's talent for political counterpoint has been displayed in its parallel yet contradictory associations, so that the emirate could, for instance, host a major American military base while maintaining friendly relations with Washington's bitterest foes, such as Iran and Hizbollah. Ideologically, in recent years Qatar, which like Saudi Arabia is Wahhabi, has assisted Islamic movements in the Arab world. After the 2006 Lebanon war, the emirate financed reconstruction in Hizbollah-controlled areas, which was vital to neutralising resentment against the party. Lately, it has funded Islamists in Libya and probably Syria. The emirate has also hosted an Egyptian sheikh, Yusif Al Qaradawi, one of the region's most influential clerics. Last week, speaking in Doha, Sheikh Yusif urged Egyptian voters to avoid voting for "a secularist, an agnostic, or those who don't accept Allah as their God, Islam as their religion and Mohammed as their Prophet" in Egypt's forthcoming parliamentary elections. That is, assuming these are held on time in light of the recent unrest. The most significant factor allowing Qatar to punch above its weight has been its ability to adapt to changing circumstances more rapidly than most others. Amid mounting protests earlier this year in Tunisia, Egypt, Libya and even Syria after initial uncertainty, the emirate backed protesters, giving Al Jazeera wide latitude to channel Arab sympathies by defining a heroic narrative for anti-regime actions.

## DA Links

### Agenda

**The plan is unpopular**

**Clark 11** (Lesley, Miami port dredging not in Obama budget plans

Stay Connected”, <http://www.mcclatchydc.com/2011/02/14/108719/miami-port-dredging-not-in-obama.html>, ZBurdette)

An aggressive effort to secure federal funding to dredge the port of Miami suffered a significant setback Monday when President Barack Obama declined to put aside money for it.

Local officials and the state’s South Florida congressional delegation had hoped to secure $75 million in the president’s 2012 budget proposal to dredge the port to 50 feet to accommodate bigger cargo ships. But the administration said the project didn’t land high enough on its priority list, said Rep. Frederica Wilson, D-Miami.

The budget plan also cuts by $300 million – or 7.5 percent -- the popular Community Development Block grants that many cities, including Miami, use for helping the poor.

Advocates for the Everglades, though, hailed the level of commitment toward restoration efforts, with Everglades Foundation chief executive officer Kirk Fordham saying the administration “understands that Everglades restoration is a priority to sustain the water supply, create jobs and provide myriad economic benefits.

“This funding, along with money targeted to the Department of Interior budget ,will ensure that construction projects already underway continue and do not result in layoffs or project delays,” Fordham said.

Port director Bill Johnson -- who had lobbied the White House for months, saying the project could bring 33,000 jobs to South Florida -- said he was “obviously disappointed, but undeterred.” He said he didn’t think that any East Coast ports that had sought construction dollars for dredging had received them.

“No one would expect us to give up and we won't," he said. The port needs the money to deepen the port by 2014, when large vessels begin using the Panama Canal.

Wilson, who championed the project, said she has asked the administration to identify alternative sources for the cash.

“We can’t afford to give up, there’s too many jobs at stake, even if we have to have a huge fund raiser,” Wilson said. “We have to find the money.”

Administration officials in phone calls with reporters defended the spending decisions. White House Senior Advisor David Plouffe said Obama had cut programs he cares about, but “is deadly serious about getting this country on a sustainable fiscal path."

Johnson says he'll go back to Congress to plead the port's case, but that may prove an uphill battle: Lawmakers are spurning earmarks and the GOP-led House Tuesday will begin looking at cutting $58 billion in spending for the rest of this year. Those cuts include programs that help the poor with housing, job training, community health centers and legal services.

#### Plan is controversial

**Kinnard 08 -** writer for The Associated Press, Georgetown University, School of Foreign Service, (Meg, 7/14/08 “Panel set up to represent SC wades into court”, [http://www.realclearpolitics.com/news/ap/politics/2012/Ju l/14/panel\_set\_up\_to\_represent\_sc\_wades\_into\_court.html](http://www.realclearpolitics.com/news/ap/politics/2012/Ju%20l/14/panel_set_up_to_represent_sc_wades_into_court.html))

The commission tasked with representing South Carolina's interests when it comes to dredging the Savannah River has taken on a higher profile as it wades into several legal disputes over the $650 million project.¶ The Savannah River Maritime Commission had operated quietly since it was set up in 2007 as part of legislators' response to a lawsuit over a proposed port in Jasper County. That lawsuit was ultimately dismissed. But the panel \_ comprised of 12 appointed members ranging from the chairmen of various legislative committees to designees from the governor and other state agencies \_ stayed intact, empowered to negotiate and enter into agreements on South Carolina's behalf.¶ Sen. Larry Grooms, R-Bonneau, who sits on the panel as chairman of the Senate Transportation Committee, said the original plan was for Georgia to set up a similar commission. The plan was for the two groups would negotiate issues affecting both states. But that never happened.¶ Now, with the Jasper project languishing, the South Carolina panel is fighting for the state to have a say in a controversial project to deepen the Savannah River. And it's taking on a higher-profile role amid a firestorm surrounding a project permit approved by state environmental officials, Grooms said.¶ The U.S. Army Corps of Engineers has proposed a plan to dredge and deepen the Savannah River to accommodate the higher traffic and bigger ships that will accompany the expansion of the Panama Canal in 2014. Last year, South Carolina's Department of Health and Environmental Control board granted Georgia the necessary water quality permits.¶ The decision reversed a rejection from its staff, which had cited unacceptable harm to the waterway's endangered sturgeon and fragile marshes. The board's approval came only after Georgia Gov. Nathan Deal made a last-minute visit to discuss the issue with South Carolina Gov. Nikki Haley, who appoints the board's members.¶ The maritime commission has appealed that decision, arguing that DHEC improperly granted the permit. The lawmakers who created the commission have also supported the panel, unanimously approving a bill to suspend DHEC's ability to consider dredging issues. The bill was retroactive to 2007, the year of the commission's inception. Haley vetoed the measure but was quickly overridden by both chambers.¶ The commission has also appeared before South Carolina's Supreme Court, joining with environmentalists in a lawsuit over whether DHEC even had the ability to issue water permits. The high court hasn't issued its ruling. But during oral arguments last month, its top jurist said DHEC broke the law when it shut the commission out of negotiations over the project.

**Dredging funding unpopular – budget crisis and earmark spending**

**AP** **6 – 21** – 12 (Associated Press, “Price tag to dredge Eastern ports for big ships: $5 billion”, http://www.usatoday.com/money/economy/story/2012-06-21/southern-ports-expansion/55746890/1)

"Strategically, we need to find a bucket of money to fund the projects that need to happen to keep our nation competitive," said Curtis Foltz, executive director of the Georgia Ports Authority, which is seeking final permits and funding to start deepening the Savannah harbor next year. The budget crisis has made federal funding for port projects extremely tight, especially since Congress and President Obama for the past two years have sworn off so-called "earmark" spending that was used to fund such projects in the past. The Army Corps report said current funding levels for port improvements won't cover all the projects that should be done. If Congress won't increase the agency's funding for harbor projects, the report said, then perhaps state governments and private companies such as shipping lines should be required to pay a greater share.

### Elections – Obama Bad

**The plan would create thousands of jobs in Florida**

**Clark 11** (Lesley, Miami port dredging not in Obama budget plans

Stay Connected”, <http://www.mcclatchydc.com/2011/02/14/108719/miami-port-dredging-not-in-obama.html>, ZBurdette)

An aggressive effort to secure federal funding to dredge the port of Miami suffered a significant setback Monday when President Barack Obama declined to put aside money for it.

Local officials and the state’s South Florida congressional delegation had hoped to secure $75 million in the president’s 2012 budget proposal to dredge the port to 50 feet to accommodate bigger cargo ships. But the administration said the project didn’t land high enough on its priority list, said Rep. Frederica Wilson, D-Miami.

The budget plan also cuts by $300 million – or 7.5 percent -- the popular Community Development Block grants that many cities, including Miami, use for helping the poor.

Advocates for the Everglades, though, hailed the level of commitment toward restoration efforts, with Everglades Foundation chief executive officer Kirk Fordham saying the administration “understands that Everglades restoration is a priority to sustain the water supply, create jobs and provide myriad economic benefits.

“This funding, along with money targeted to the Department of Interior budget ,will ensure that construction projects already underway continue and do not result in layoffs or project delays,” Fordham said.

Port director Bill Johnson -- who had lobbied the White House for months, saying the project could bring 33,000 jobs to South Florida -- said he was “obviously disappointed, but undeterred.” He said he didn’t think that any East Coast ports that had sought construction dollars for dredging had received them.