# Tradeoff DAs – BJR 2012

This file was completed by Marlene Anderson, Elizabeth Eager, Danny Hensel, Crystal Hou, Roman Kezios, Raj Patel and Kevin Pucci in the 2012 UM 7 week Seniors Bricker/Johnson/Rubaie (BJR) lab.

It contains four DAs:

A. Chinese Steel. The plan creates a large demand for U.S. steel inputs, which displaces the Chinese steel sector. That is vital to Chinese economic growth and political stability.

B. Airline industry good. The plan develops high-speed rail (or other competitive tech) which means fewer people book and purchase flights. The airline industry is key to U.S. aerospace leadership and air power which boost hegemony and prevent global conflicts.

C. Auto industry good. The plan develops mass transit (or other competitive tech) which means fewer people purchase and drive cars. The auto industry is vital to the economy and to the semiconductor industry, which prevents warming.

D. Defense tradeoff. Increasing security funding in one priority area (air or sea ports, specifically) trades off with limited resources for bioweapons sensors, bioweapons are bad.

**Other questions?** Feel free to e-mail [brubaie@gmail.com](mailto:brubaie@gmail.com).

# **\*\*\*STEEL DISAD\*\*\***

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### Steel – 1nc

China’s steel production and market output is growing – infrastructure is key

WSJ 5/28 [Wall Street Journal, Liam Denning, “Steeling for a Chinese slowdown” May 28, 2012, <http://www.theaustralian.com.au/business/wall-street-journal/steeling-for-a-chinese-slowdown/story-fnay3x58-1226369452287>, accessed 6/24/12]

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

**The steel for federal transportation projects is legally required to come from the U.S.**

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

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

That massively dents China’s growing market share, the backbone of Chinese economic growth

Haley, ‘9 – George T., PhD, Professor & Director, Center for International Industry Competitiveness, College of Business, University of New Haven, “Testimony before the U.S.-China Economic and Security Review Commission Hearing: China’s Industrial Policy and its Impact on U.S. Companies, Workers and the American Economy,” March 24, 2009, http://www.uscc.gov/hearings/2009hearings/written\_testimonies/09\_03\_24\_wrts/09\_03\_24\_haley\_statement.php

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

Stalled Chinese growth causes CCP lashout

Shirk, ‘7. director of the University of California system-wide Institute on Global Conflict and Cooperation and Ho Miu Lam professor of China and Pacific Relations at IR/PS and Deputy Assistant Secretary of State in the Bureau of East Asia and Pacific Affairs (Susan, Fragile China, pg 3).

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

Lashout would include nuclear and bio weapons

Renxing, ‘5 (San, The Epoch Times "The CCP's Last-ditch Gamble: Biological and Nuclear War. Hundreds of millions of deaths proposed", 8/5, http://en.epochtimes.com/news/5-8-5/30931.html)

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

## \_\_\_\*\*2nc Walls

### UQ Wall – 2nc

**The Chinese Steel industry is growing now-crude steel production proves**

**Reuters 6/20** [ReutersAfrica.com,“Iron Ore-Spot on track to stretch gains to 9th day” 6/20/2012, [http://af.reuters.com/article/metalsNews/idAFL3E8HK1ZA2012 0620](http://af.reuters.com/article/metalsNews/idAFL3E8HK1ZA2012%200620), Accessed 6/24]

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

**China’s ahead because of its market share advantage over the US**

**American Iron and Steel Institute 6/6** [American Iron and Steel Institute, June 6th, 2012 “Finished Steel Imports in May Were Near 2012 Peak Monthly Level; Import Market Share Remains at 24 Percent” AISI is comprised of 25 affiliate members who are suppliers to or customers of the steel industry.  AISI's member companies represent over three quarters of both U.S. and North American steel. capacity., [www.steel.org](http://www.steel.org), accessed 6/24/12]

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

**Chinese steel is rising but successful government management and projection is vital**

**China Daily 6-7** [China Daily, “Steel industry readies for project surge” 6-07-12, <http://www.chinadaily.com.cn/business/201206/07/content_15481550.htm>, accessed 6/24/12]

The Chinese steel industry is gearing up for an expected surge in demand in the wake of a speedup in the approval of major infrastructure and industrial projects, experts said. As the State Council announced a series of policies to stimulate the economy by accelerating the approval of many important projects, including railway, energy, and infrastructure construction in rural region and western China, steel industry analysts said the pipeline of new work will increase demand for steel in the long term. They expected steel prices to rebound as early as the end of this month as a result. The price of hot rolled steel in China is currently 4,168 yuan ($655) per metric ton, down 9 yuan from last week. "The successive approval of new projects will help rebuild market confidence, but it will still need time to take real effect," said Ma Li, analyst at Lange Steel Information Research Center. Ma estimated the steel market will become particularly strong in the third quarter of this year. The resultant demand for new heavy construction equipment, which requires mainly high-end and special steel product, will also give the overall sector a significant boost. "The construction steel market will gain the biggest benefits from the new policies, and the demand for equipment manufacturing steel will increase too," Ma said. Han Weidong, a senior steel industry expert with Lange, added that given the approval of major infrastructure projects is a relatively long process, steel prices are likely to stop falling, and may even rise because of the "new projects' stimulation". Yu Jie, deputy manager of Beijing Chaoyin Xinde Trading Co Ltd, said: "New projects, including airports, real estate, transportation and rural infrastructure, are all big consumers of steel, which will boost the market." According to the latest data from the China Steel and Iron Association, the steel inventory in 26 major markets in the country reached 15.61 million tons by June 1, an indication, it said, of ongoing oversupply in the market. In April, China produced 60.57 million tons of crude steel, a 2.6 percent increase compared with the same period last year. According to data from the customs office, China exported 4.67 million tons of steel in April, 361,000 tons less than the previous month, a 7.2 percent drop month-by-month. Currently, many provinces are focusing on the approval of both new and suspended projects. According to reports from Lange, up to 80 percent of suspended railway projects have been restarted, while urban rail projects are becoming a new investment point as the enthusiasm for high-speed railway cools down. It added that the overall investment for water conservancy construction will be more than 140 billion yuan in the country. Highway construction will also keep pace with last year's level and may even grow slightly.

### Link Wall – 2nc

**The plan crushes Chinese central planning – they can’t lose in the SQ**

**Cooney 7** CRS Specialist in Industrial Organization and Business Resources, Science, and Industry Division (Stephen, 31 October 2007, “Steel: Price and Policy Issues,” Congressional Research Service, http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1492&context=key\_workplace)

Money for Metal does not maintain that there is a monolithic Chinese steel policy controlled by a single government entity, but rather that industry ownership and control is in the hands of different government entities with different agendas. The Chinese industry it describes is not really controlled by “government” as much as it is controlled by “governments,” in a Communist state that is in a process of transitioning itself to a more market-oriented economy. The report seems to project a future in which the U.S. steel industry may confront either a more consolidated and efficient Chinese industry, able to export whenever it has excess capacity for domestic demand, or a rampantly expanding industry, which can always cut price to export excess output — or both existing simultaneously, and subsidized by all levels of government in China.113

**China’s steel industry is massive – it directly competes with the United States**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

Pursuant to these industrial plans, the Chinese government has created the world's largest steel industry. As the next step in its industrial strategy, China is now pursuing its "Going Abroad" strategy, deploying its massive "national champions" overseas to further the government's objectives, which include exploiting natural resources and raw materials, obtaining technology and expertise, and increasing China's economic and political influence on a global scale. In addition to raw materials, the Chinese government is beginning to deploy its state-owned national champions overseas to invest in downstream industries such as the steel industry. This report examines the potential dangers faced by the United States and other countries as a result of China's Going Abroad strategy, including the market distortions and national security concerns resulting from the Chinese government's intervention in private markets. **Chinese investment pursuant to the Going Abroad strategy will force private U.S. steel companies to compete directly against government-owned and supported companies in the U.S. marketplace, creating significant imbalances that will further distort the steel market.** China's expansion abroad, and the extent of its steel production growth, are not the result of free markets and comparative advantage. While the Chinese steel industry would be large absent government support, massive government intervention has played a substantial role in the industry's growth. Indeed, China has reached its position through a combination of subsidies, mandates, and planned government intervention - at the expense of market-oriented producers around the globe, including those in the United States.

**China’s steel industry directly competes with the United States**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

Pursuant to these industrial plans, the Chinese government has created the world's largest steel industry. As the next step in its industrial strategy, China is now pursuing its "Going Abroad" strategy, deploying its massive "national champions" overseas to further the government's objectives, which include exploiting natural resources and raw materials, obtaining technology and expertise, and increasing China's economic and political influence on a global scale. In addition to raw materials, the Chinese government is beginning to deploy its state-owned national champions overseas to invest in downstream industries such as the steel industry. This report examines the potential dangers faced by the United States and other countries as a result of China's Going Abroad strategy, including the market distortions and national security concerns resulting from the Chinese government's intervention in private markets. **Chinese investment pursuant to the Going Abroad strategy will force private U.S. steel companies to compete directly against government-owned and supported companies in the U.S. marketplace, creating significant imbalances that will further distort the steel market.** China's expansion abroad, and the extent of its steel production growth, are not the result of free markets and comparative advantage. While the Chinese steel industry would be large absent government support, massive government intervention has played a substantial role in the industry's growth. Indeed, China has reached its position through a combination of subsidies, mandates, and planned government intervention - at the expense of market-oriented producers around the globe, including those in the United States.

**Market value is zero sum**

**Solarz 10** Senior Vice President, Trade and Economic Policy, American Iron and Steel Institute (Barry, 6 October 2010, Oral testimony before the World Trade Organization, http://www.steel.org/~/media/Files/AISI/Public%20Policy/Testimony/2010/Barry\_Solarz\_Oral\_Testimony\_Submitted\_to\_USTR\_for\_China\_WTO\_Commitments\_Hearing.ashx)

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

**The signal is key – two reasons:**

**a. “Going abroad” strategy – China needs to win in the U.S.**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

In addition to calling for the aggressive implementation of the Going Abroad strategy, certain provincial five-year plans also specify the foreign countries that Chinese enterprises should target in their overseas investments. For example, Shandong Province's 11th Five-Year Plan states that enterprises must "vigorously" implement the Going Abroad strategy109 and further encourages "[l]argely expand[ing] in developing countries in Africa, Latin America, Middle East, South Asia, and Eastern Europe."110 The plan also encourages enterprises to "**strive to have major break-throughs in market expansion in** developed countries in Europe and **the U.S.”**111

**b. International competition – it creates market diversion from buyers**

**Cooney 7** CRS Specialist in Industrial Organization and Business Resources, Science, and Industry Division (Stephen, 31 October 2007, “Steel: Price and Policy Issues,” Congressional Research Service, http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1492&context=key\_workplace)

China as a Steel Producer, Consumer, and Exporter. China has become the world’s largest steel producer, as discussed in the earlier section on world output. At the same time, in the years after 2000, it briefly became the largest importer. It absorbed increasing amounts of the world supply of scrap and other inputs, while its demand drove the global price of steel higher, notably in 2004. China’s rapidly growing appetite for steel also drew in high levels of imports from other major Asian producers such as Japan, Korea and Taiwan, probably diverting them from the U.S. market. The consequences were higher prices for steelmaking inputs in the United States and lower availability of imported finished steel at competitive prices. Meanwhile, U.S. steel consuming industries increasingly must compete with fabricated steel products from Chinese suppliers.

### IL Wall – Steel key 2nc

**Steel is a major** **contributor to growth**

**Trench 4** Ph.D from Murdoch University, MSc, Grad Dip, BSc Hons; Supervised by Dora Marinova, Associate Professor and Head of the Institute for Sustainability and Technology Policy at Murdoch University (James, 2004, “”Role of the Chinese Steel Industry in the Economic and Development of China and Australia’s Contribution to the Industry as a Supplier of Raw Materials,” Murdoch University, http://researchrepository.murdoch.edu.au/367/1/01Front.pdf)

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

**Steel industry is the life-blood of the economy – it’s a pillar industry**

**SSINA 8** voluntary trade association representing virtually all the producers of specialty steel in North America (Specialty Steel industry of North America, October 2008, “China’s Specialty Steel Subsidies: Massive, Pervasive, and Illegal, SSINA, http://www.ssina.com/news/releases/pdf\_releases/20081014\_report.pdf)

THE CHINESE GOVERNMENT CONSIDERS DOWNSTREAM INDUSTRIES IN CHINA’S SPECIALTY STEEL SECTOR TO BE “PILLAR” INDUSTRIES THAT ARE “THE LIFE-BLOOD OF THE NATIONAL ECONOMY” While China has taken deliberate steps since the late 1970s to reform China’s economy, such as allowing certain foreign investment into the country and allowing SOEs a small degree of autonomy, a fundamental element in China’s drive to become a leading international economic power has been the Chinese government’s extensive industrial policies that direct and manage the country’s economic and industrial development by defining which industries, enterprises, and products should be targeted for preferential support and controlled by the government.9 The overarching objective of China’s industrial policies has been to foster the growth of certain industrial sectors that the Chinese government considers are essential to the country’s overall economic prosperity and social stability, while maintaining control of those sectors by encouraging the expansion of SOEs in the industries and protecting them from foreign competition. The Chinese government has identified 14 “key” industries and seven “pillar” industries that are the “life-blood industries of the national economy.”10 These favored industries are supported by the Chinese government through its industrial policies.11 The industries designated by China as “pillar” industries, for instance, include the automotive, electronics, oil and gas, aviation and aerospace, construction, pharmaceutical, and machinery industries. Id. Primary downstream consumers of specialty steel are among the seven “pillar” industries supported by the Chinese government through its industrial policies.12 Indeed, given specialty steel’s resistance to corrosion, fire, and heat, hygienic qualities, aesthetic appearance, strengthtoweight advantage, ease of fabrication, and impact resistance, it is an essential material consumed by a broad range of industries in numerous applications:13

**Steel has a multiplier effect – it’s key to upstream Chinese growth**

**SMM 11** Shanghai Metals Market, leading metals information provider in China (September 2001

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

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

Chinese steel key to growth-infrastructure, international trade prove

Investor Ideas ’06 [ Investorideas.com, 2006,“Supply and Demand Issues Fuel China�s Automobile, Steel, and Coal Industries”, <http://www.investorideas.com/Articles/China_Construction.asp>

accessed 6/26/12]

As China's growing economy and expanding infrastructure impacts demand and supply in major industry sectors including automotive, steel, and coal, companies that are positioned in China as suppliers will benefit. Mergers and acquisitions, rising prices and overall strength in construction and infrastructure all indicate strong growth signals within the sectors. The automotive industry is anticipated to be driven by Asian demand and Asian consumers for the next five years. In addition, Chinas surging construction levels are in turn pushing the demand for commercial vehicles higher. China entry into US automotive markets and expected increased exports, changes the face of the global automotive industry. Companies that will survive and benefit from the global changes will have incorporated strategies to position themselves in both China and the US. [SORL Auto Parts](http://www.b2i.us/irpass.asp?BzID=1301&to=cp&Nav=1&S=0&L=1&ID=4172) (OTCBB: SAUP), Chinas leading manufacturer and distributor of automotive air brake valves for the commercial vehicle market identifies North America as a key focus for increasing export sales, taking advantage of the construction industrys growing demands. With China continuing to expand its infrastructure, demand for coal is on the rise globally and within China. Recent news that China's largest electricity producer, China Huaneng Group, signed a letter of intent (LOI) with Shanxi Coking Coal Group (one of Chinas largest coking companies) to jointly develop a coal mine is a positive sign for smaller companies like [PUDA Coal](http://www.b2i.us/irpass.asp?BzID=1321&to=cp&Nav=1&S=0&L=1&ID=4087" \t "_blank) (OTCBB: PUDC), a supplier of premium grade coking coal to the steel making industry. Supply for coking coal is anticipated to increase by 5.4 million tons this year. With coking coal utilized to smelt iron and steel, it is directly impacted by the steel industry. Steel prices and stocks are up based on discussions of M&A and consolidation. With steel prices increasing more than 150 percent since 2003 based on US and the increased demand from China and India, it sets the stage for Mittal Steel, one of the world's biggest steel makers, acquiring a 37.17 percent stake of a subsidiary of Hunan Valin Iron and Steel Group of China. Mittal, U.S. Steel and Nucor control 55 percent of the U.S. steel market. Building Demand from Construction The Chinese steel industry has continued to experience double digit annual rates of growth as it has worked to keep pace with the construction boom. China has grown to the largest steel market in the world from a relative unknown in short order. As reported in Global Insight, Steel at a Crossroads: Chinas role in shaping new global market, Chinas steel consumption is up 110% over a six-year period and is still rising, producing over 26% of the worlds supply of steel, while consuming 27%.On the other hand, the growth of the steel industry is also restricted by the limited supply of many non-renewable raw materials, such as coal, coke and iron ore. As vital suppliers to the steel industry, both thermal coal and coking coal producers are facing very high demand. According to the China Coal Industry Association (CCIA), with demand rising, the price of thermal coal used for power production had risen 50 percent to more than $60 a tonne since the beginning of this year; term [prices](http://www.investorideas.com/Articles/China_Construction.asp) for coking coal, the material used in steel production, are set to almost double next year, to $100 a tonne or above from under $60 this year. [PUDA Coal](http://www.b2i.us/irpass.asp?BzID=1321&to=cp&Nav=1&S=0&L=1&ID=4087" \t "_blank), a Chinese coking coal producer, is benefiting significantly from the high profitability provided by this trend. According to Puda CEO Zhao Ming, The factor that drives the demand for coking coal is the mass construction of infrastructure, including but not limited to real estate development, extended urbanization process, western region development and the 2008 Beijing Olympic Games. These projects require the use of large amounts of steel, and coking coal is essential in making coke, which is largely used in the steel making process. Pudas future focus is to sell directly to steel mills with their own coking facilities (or so-called integrated coking-steel making mills). Mark Lidiard, Vice President of Investor Relations and [Communications](http://www.investorideas.com/Articles/China_Construction.asp) for BHP Billiton, the biggest coking coal producer in the world states, Metallurgical coal is used in steel making industries, and incremental demand for metallurgical coal is primarily being driven by the growth in the Chinese steel market. On the other hand, steaming or thermal coal is used in power industry, and they tend to be driven more by global power demand. Although again incremental growth in power in China is causing some pressure on the thermal coal industry, which again is creating good demand for thermal coal products around the world. As well very high current oil and gas prices are driving the demand for coal. Mittal Steel, one of the world's biggest steel makers, signed an agreement in 2005 to acquire a 37.17 percent stake of a subsidiary of Hunan Valin Iron and Steel Group of China. According to the Company, This transaction is a key milestone for Mittal Steels business in China and is an integral part of its global strategy. China is the worlds largest consumer of steel products and demand is expected to continue to grow strongly. Mittal Steels participation in the expected growth of the Chinese steel industry will be further enhanced through its investment in the Company and its partnership with Valin Group. Lakshmi Mittal, Chairman and CEO of Mittal Steel, had been quoted as stating, We are confident that demand for steel in China will remain strong and this acquisition is very much intended as a first step towards a more significant production presence in this country. China is experiencing a period of rapid economic growth and we are excited by the prospect of being a participant in this. Investors and industry following the growth in China should look at trends including pricing increases, import and export growth and restrictions, as well as global demand influences, to find new opportunities. Steel demands are on the rise globally as infrastructure in China and India continues to grow, creating a robust steel market and an automotive industry that is going through dramatic changes as the east and west converges.

**Steel industry key to Chinese growth- decline would hurt the global economy**

**New York Times 5/10** [ NYT, “Data Signals Economic Trouble in China” May 10th, 2012, Nytimes.com, accessed 6/26/12]

As China’s leaders have been preoccupied with a political struggle leading up to a once-in-a-decade leadership change this autumn, there are increasing signs that the Chinese economy may be running into trouble. China announced Thursday that growth in imports had unexpectedly come to a screeching halt in April — rising just 0.3 percent from the same period a year earlier, compared with expectations for an 11 percent increase. Businesses across the country appeared to lose much of their appetite for products as varied as iron ore and computer chips. China has been the largest single contributor to global economic growth in recent years, and a sustained slowdown in its economy could pose problems for many other countries. Particularly exposed are countries that export commodities like iron ore and oil and rely on demand from China’s steel mills and ever-growing ranks of car owners. Exports, a cornerstone of China’s economic growth over the last three decades, grew 4.9 percent last month — half as much as economists had expected. And a slump in new orders over the last month at the Canton Fair, China’s main marketplace for exporters and foreign buyers, suggests that overseas shipments by the world’s second-biggest economy, after that of the United States, may not recover quickly.

**Chinese Steel decline triggers economic slow down**

**Bloomberg ’12** [Elisabeth Behrmann for Bloomberg, “China Steel Growth Has Flattened as Economy Shifts, BHP Says” March 20th, 2012, accessed 6/26/12]

BHP Billiton Ltd. (RIO), the world’s biggest mining company, said China’s steel production is slowing as the world’s fastest-growing major economy starts to shift to focus more on consumers than large building projects. “The big infrastructure build clearly will come to some end,” Ian Ashby, the Melbourne-based company’s president of iron ore, told reporters today in Perth. “Steel growth rates will flatten, and they have flattened, and we still see positive growth out to the middle of the next decade.” The Australian dollar dropped for the first time in four days after the comments as Rio Tinto Group, the world’s second- largest iron ore exporter, said at a conference in Perth that it’s seeing a slowdown in China, its biggest customer. Premier Wen Jiabao this month cut the nation’s economic annual growth target to 7.5 percent and an official at the China Association of Automobile Manufacturers said vehicle sales this year may miss the industry group’s forecast. “The rate of GDP growth in China is more immediately slowing,” Rio’s David Joyce, managing director of expansion projects, said at the conference. “We remain confident on the basis of the figures we have seen, of a soft landing, with solid growth for this year.” Dollar Declines Australia’s dollar lost 0.4 percent to $1.0564 at 6:17 p.m. in Sydney after climbing 1.5 percent over the past three days. The so-called Aussie slid 0.3 percent to 88.12 yen from 88.40 yesterday, when it rose as high as 88.64, the highest since May 2011. BHP closed 0.1 percent lower at A$35.31 and London-based Rio declined 0.4 percent. The benchmark S&P/ASX 200 Index retreated 0.4 percent. “There will be further risk that the Chinese economy will be slowing down” more than expected, said Lee Wai Tuck, a currency strategist at Forecast Pte in Singapore. Steel output in China, the biggest producer, may slow growth to 4 percent this year, the China Iron and Steel Association said March 6. China’s vehicle sales may only increase by 5 percent this year, compared with the China Association of Automobile Manufacturers forecast of 8 percent, as economic conditions damp demand, Gu Xianghua, deputy secretary general of the association said today in Qingdao. Weak Demand Tire production growth in China, the world’s largest automobile market, may slow this year to 5 percent as a weaker economy saps sales in the commercial-vehicle market, Shen Jinrong, chairman of Hangzhou Zhongce Rubber Co., a Chinese tiremaker, said today in Qingdao. Output grew 6.05 percent in 2011, according to the China Rubber Industry Association. Iron ore prices have averaged $141.14 a metric ton this year, down 16 percent from last year’s average, according to data from The Steel Index Ltd. for iron ore shipments to China’s Tianjin port. The steelmaking raw material may average $86 a ton by 2016, Bank of America Corp.’s Merrill Lynch unit said in a report dated yesterday. “The type of economy that’s being developed in China is changing,” Ashby said. It “will go through a phase of things like machinery and equipment becoming more important as people get up that GDP per head curve,” he said. Double Capacity China’s steel demand will remain positive until at least 2025, he said. BHP (BHP) is doubling iron ore capacity by 2020 and in January received initial approval for a A$14 billion ($15 billion) expansion of an export harbor in Western Australia to boost supply to steel mills. The cost estimate is from a report last year by the state’s Department of Mines and Petroleum. “We’re still confident in the long-term demand for commodities generally, of which iron ore is one, as one-third of the global population is urbanizing and the population is getting bigger,” Ashby said. The company hasn’t “slowed down” its plans to add more capacity, he said. Rio is also expanding its mines and sees its global production approaching 450 million tons a year in the next five years, it said on March 7. Its increasing output by more than 50 percent to 283 million tons by next year. Iron ore is both Rio and BHP’s biggest earning units. BHP, whose biggest customer is also China, is re-evaluating spending plans amid slowing Chinese growth, the Australian Financial Review reported today, citing Chairman Jacques Nasser’s comments to investors. China accounted for 28 percent of BHP’s sales in the last financial year and 31 percent of Rio’s. Steel output in China will grow to between 1 billion metric tons and 1.1 billion tons by 2025 from about 700 million tons currently, Ashby said.

**The Steel industry is key to China’s economic growth - trade patterns, construction, and manufacturing**

**World Watch 05** [World Watch, “Chinese Steel Production and Consumption Surge, Affect Economies Globally; China Contributing Greatly to Rising World Trade” 2005, worldwatch.org, accessed 6/26/12]

Washington, DC—World trade in steel expanded sharply in 2004, influenced in large part by growth in the Chinese construction and manufacturing sectors, according to Vital Signs 2005, a Worldwatch Institute report published today. Global production of crude steel increased 8.8 percent in 2004 (See charts for media use), the first year in which steel output passed the billion-ton threshold. Steel consumption closely shadows economic growth in general, and China’s hot economy is expected to make it the driver in global use in the near term. Steel consumption in China is expected to increase by more than 10 percent in 2005, and this one nation is projected to account for 61 percent of total growth this year. By comparison, growth in the rest of the world is expected to be just over 2 percent. China’s appetite for steel is affecting economies elsewhere. In November 2004, the Nissan Motor Company had to close three assembly plants in Japan for five days because of a lack of steel. And a fire that shut down a mine in West Virginia that supplies coke, a coal that fuels blast furnaces, led to production cutbacks at U.S. Steel because other supplies were unavailable in the tight coke market. The most widespread impact of Chinese steel consumption is in the price of steel and its inputs, which jumped by 50–70 percent in the last half of 2003 to near-record levels. The price of steel scrap, around $100 per ton in the 1999-2002 period, surged past $250 in 2003 as China increased its imports. The International Monetary Fund expected the value of total world exports to reach $10.6 trillion in 2004, an increase of 15.3 percent over 2003. This would be the highest growth rate since 1995, when the value of exports rose 16.7 percent. Much of this increase can be attributed to China’s growing influence in rising world trade. China represented more than 20 percent of the increase in world trade volumes during 2004, and its share in world exports nearly doubled over the preceding four years, rising from 2.8 percent to 5.8 percent. Its performance continues to be fueled by its relatively recent accession to the World Trade Organization (WTO) as well as by rapid rates of investment and consumption.

### IL Wall – CCP 2nc

**The CCP’s staked their ground in production**

**Beijing Review, 6/21/12** (Lan Xinzhen – staff writer, June 21, 2012, “To Ensure Growth,” Beijing Review Vol. 55, No. 25, http://www.bjreview.com.cn/pdf/2012/25.pdf, DJH)

As China faces pressures of excessive capacity in its steel production, some large steel projects, such as those in Zhanjiang and Fangchenggang that have received NDRC approval, have aroused public concerns that the government is increasing investment blindly to ensure steady economic growth. Zhang said undeniably, for the pursuit of economic growth, government-led irrational investment behavior is commonly seen. Excessive investment has led to surplus capacity in many industries and low investment returns. This has spread from traditional industries such as iron and steel and ship building to photovoltaic and some other emerging industries. Because of random investment, investment efficiency has dropped rapidly in recent years, so has the quality and returns of economic growth. “We should not make random investment now with the excuse of stabilizing growth, which will impose bigger adverse impacts to future economic development,” said Zhang. Ba Shusong, Deputy Director of the NDRC Research Institute of Finance, said experiencing massive investment and slowed down economic development in 2008 and 2009, many industries now see a surplus capacity. Hence when making new investment, the government should avoid increasing investment in these industries to facilitate economic restructuring. Ba thought the best way of investment is to appropriately accelerate construction of infrastructure projects, instead of putting more money into the iron and steel industry. Zuo Xiaolei, chief consultant to the president of China Galaxy Securities Co. Ltd., said decisions of vision in both breadth and depth are needed to ensure steady growth and deal with the relationship between steady growth and economic restructuring. Otherwise, even though troubles at hand can be solved, more severe problems may be caused in the future. According to Zuo, “growth, hence stabilizing growth” is more important to stimulating economic many suggestions carry on the ideas of rescuing the crisis, such as opinions of frequently cutting the reserve requirement ratio or relaxing the monetary policy, but inflation will then be inevitable. The Chinese economy has not yet emerged out of the haze of high inflation caused by the overflow of liquidity during 2009 and 2010. If relaxing the monetary policy again, the economy would get into more unstable circumstances. Therefore the government must be prudent in relaxing its monetary policy. Zuo thought since the Chinese economy is now in a reasonable state of macro-control instead of crisis, it is unnecessary to massively overdraw money from the central bank to stimulate economic growth. At present the biggest problem the Chinese economy faces is the declining investment demand, mainly caused by the reduction of investment in real estate, iron and steel, cement and other industries with surplus capacity, but it is a decline of ineffective investment. It indicates that to stabilize economic growth, the government needs to create new effective investment demand, such as investments in electronics, information technology and other strategic emerging industries, as well as service industries.

### Impact Wall – CCP 2nc

Economic collapse creates massive civil unrest – the CCP will respond aggressively, repressing domestic populations and targeting WMD at enemies like Taiwan – that’s Renxing and Shirk

More evidence that CCP credibility prevents Taiwan lashout

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

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

That outweighs –

A – Faster and more likely – recent Chinese strategy shift

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

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

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

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

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

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

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

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

## \_\_\_\*\*Impact Add-Ons

### Econ 2nc (Both)\*\*

**China’s economy is key to the US and global economies**

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

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

**China econ collapse derails US and global recovery**

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

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

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

### Econ 2nc (Global)

Chinese economic slowdown causes global economic collapse

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

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

China is experiencing high-quality growth – key to the global econ

NYT ’10

[“China's Rise to Top Looks Unstoppable”, Aug 16, http://www.nytimes.com/2010/08/17/business/global/17inside.html?src=busln]

Ross **Garnaut,** an economics professor at Australian National University in Canberra**, is among those who are confident that China is about to enter** an era of higher-quality growth, not least because demographics dictate that unlimited supplies of cheap labor will soon be a thing of the past. First and foremost, **there will be large and continuing increases in real wages and in the wage share of income**, Mr. Garnaut wrote in The East Asia Forum, an online newsletter. This is critical. Pay has risen briskly in China, but profits and the government’s share of national income have risen even faster, squeezing workers. “The powerful tendency since the 1980s towards increased inequality in income distribution is likely to be reversed,” Mr. Garnaut wrote. In this virtuous circle, spending will rise and the national savings rate will fall, thus reducing China’s external surpluses and easing tensions with Beijing’s trading partners. Mr. **Garnaut said there was no basis for assuming that a shrinking of the work force**, which is expected to start around 2015, **would dent the productivity gains; the economy could keep expanding at close to the near double-digit average of the past 30 years of market reform.** That headlong growth catapulted China past Japan last quarter to become the world’s second-largest economy, according to an estimate Monday by the Japanese Cabinet Office. Urbanization, development of the interior and investment in a low-carbon economy will sustain annual growth at more than 9 percent in the coming decade, according to Li Daokui, an economics professor at Tsinghua University in Beijing. **China is due to enjoy a “golden period,”** the professor said. If he is right, **the consequences for the rest of the world will be** far-reaching. Two International Monetary Fund economists, Vivek Arora and Athanasios Vamvakidis, **calculate that over the past two decades, a percentage point of extra Chinese growth has been correlated with an average rise of 0.5 percentage point in other countries’ growth.** “Moreover, while China’s spillovers initially only mattered for neighboring countries, **the importance of distance has diminished over time,”** they wrote in a working paper.

**Strong China key to the global economy**

**Duke ’10**

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

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

### Econ 2nc (US)

**China’s key to the US economy**

**US News & World Report, 05** (June 12, 2005, citing Richard Stanley, CEO of Citigroup China, “The Rise of a New Power,” http://www.usnews.com/usnews/biztech/articles/050620/20china\_3.htm, DJH)

The lopsided U.S. trade deficit with China and the "offshoring" of manufacturing work there have focused attention on lost jobs and the fading fortunes of industries such as textiles, decimated by cheap Chinese imports. But America's interdependence with China has benefits, too. Cheap goods keep U.S. inflation and interest rates low. And the growth of China's service sector--likely to be heavily fueled by American companies--will bring a well-heeled new consumer to the global market, with less threat to American jobs. "China will be a second driver of economic growth in the world after the United States," says Richard Stanley, CEO of Citigroup China. Stanley claims the 2001-2002 U.S. recession would have been worse if not for Chinese demand for goods from America and elsewhere.

The Chinese economy will bear the brunt of global economic slowdown – they can afford the hit as long as quantitative easing continues

**Hennecke, -10** – Martin, Associate Director, Tyche Group, “Chinese economy still looking very strong: Tyche Group,” <http://economictimes.indiatimes.com/opinion/interviews/Chinese-economy-still-looking-very-strong-Tyche-Group/articleshow/6809168.cms>.

In an interview with ET Now, Martin Hennecke , Associate Director, Tyche Group , gives his views on the implications of China’s rate hike, commodities markets and more. What could be the big implications of that rate hike which was announced by China last week? That is intended to prevent overheating such as in the property sector in the economy. One of the reasons that China is doing that is because they know the western countries are not doing that strong and their financial crisis could return, and if now all the factories in China are speeding ahead at full capacity, adding to that, that could be quite dangerous if there is a repeat of the 2008 crisis. Internally in China, of course, there has also been inflationary pressures and it is expected that the inflation numbers and the industrial growth numbers, soon to be published in China, are both on the relatively higher side. So also domestically, they are going to cool the economy. It makes renminbi of course also more attractive for our investors, but we would say that any currency out there is not really safe, it can put all your acts into that one currency basket because in our view, inflation is going to accelerate on a global basis. And even China will be importing inflation from the West because their quantitative easing must continue and they cannot afford to raise interest rates to stop inflation because their sovereign debt is already out of control. Rising interest rates in those countries would make their debt burden even worse and potentially lead to national bankruptcy in western countries, but China can afford it and they are doing the right thing.

China is boosting the speed of global growth

Prajakta **Ambre, 10**. “Chinese economy simmers down in Q3,” Stock Market Digital, <http://www.stockmarketdigital.com/sectors/shanghai-se-shenzhen-se-china/chinese-economy-simmers-down-q3>.

China has taken steps to improve its leadership patterns that may lead to faster growth of the economies worldwide. Moreover, the country will try to release the stiff monetary policies. The dragon is dealing with fears prompted by volatile global markets and the recent attempt to cheer up investors included key actions like raising the interest rates. The People’s Bank of China has hiked interest rates in order to prevent the lending in the country.

Quantitative easing will succeed now – it’s the only alternative to a Western economic meltdown

**Hennecke, -10** – Martin, Associate Director, Tyche Group, “Chinese economy still looking very strong: Tyche Group,” <http://economictimes.indiatimes.com/opinion/interviews/Chinese-economy-still-looking-very-strong-Tyche-Group/articleshow/6809168.cms>.

But what about the US dollar because that has gained sharply while crude, gold and base metals have all tumbled post China’s rate hike. Would this trend continue? What’s your opinion? Not really, but whenever there is fear in the market -- fear let’s say of a slowdown in China because the government is trying to cool it down -- then there is also fear of a dip in the demand for commodities. As the Chinese economy slows and then perhaps some investors also fear that the US might follow suit and increase interest rates as well, and so whenever you see fear in commodities like in 2008, commodities tend to sell off short term. The US dollar can also gain strengths and open shorter, but what we would like to point out to investors out there, particularly in the commodities area is that the quantitative easing is not going to end in western countries. China may take some of the stimulus out now and more cautiously decelerate the growth in their economy and also decelerates the money supply and then raises interest rates to take some of the hot money out of the market, but in the West, they just cannot do it because if they were going to raise interest rates, imagine if the US was to raise interest rates back to the level that we saw in the 1980s, then the entire US budget would be consumed by interest rate payments. They just cannot afford it and it could cause again national bankruptcy risks in a lot of western countries, not just in Greece, Ireland and Portugal, but even in larger countries. That means they have to keep the quantitative ease going, keep the money printing going and China will import some of this inflation. So the picture for commodities still looks good and the Chinese economy, even if they slow it down, is still looking very strong. So we remain confident that commodities are good place to be in. We are still at gold and silver despite quite a run-up that we have seen and also agricultural commodities, which may be even somewhat cheaper.

### Global Conflict 2nc

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

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

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

**Chinese economic growth and competitiveness is key to prevent global economic collapse and nuclear conflict**

Buzan and Foot, 04 **–** professor of International Relations at the London School of Economics and Political Science; professor of International Relations at St. Anthony College, (Barry and Rosemary, “Does China Matter? A Reassessment: Essays in Memory of Gerald Segal”, ed., Questia, p. 145-147, USC Libraries)//JK

China, East Asia and the world The underlying argument in this section is that there is a strong link between the global standing of a major power and the way that power relates to the other states in its home region. As a general rule, the status of great power, and more so superpower, requires not only that the state concerned be able and willing to project its political influence beyond its immediate region, but that it also be able in some sense to manage, and perhaps lead, its region (Buzan and Wæver, 2003). The U.S. clearly does this in North America, and more arguably for the Western hemisphere as a whole, and the EU does it in Europe. The Soviet Union did it from 1945 to 1989, and the possible inability of Russia to do it (and its desperation to do so) explain the current question marks around its status. India's failure to do it is a big part of what denies it the great-power recognition it craves. During the Cold War, and up to a point still, Japan could exploit its political geography to detach itself from much of Asian politics, and float free as a kind of economic great power. China does not have that kind of geopolitical option. Like Russia and India, it cannot escape regional politics. China's global standing thus depends crucially on what kind of relationship it has with its neighbours. If China is able to reassert some form of hegemony over twenty-first century Asia - getting most or all of its neighbours to bandwagon with it - then its global standing will be hugely enhanced. But if China inspires fear in its neighbours - causing them to balance against it - then like India, and possibly Russia, it will be locked into its region, and its global standing will be diminished. Since the U.S. is strongly present in Asia, its influence also plays into this equation. Indeed, if China is at odds with its neighbours then its position will be worse than that of Russia and India. In their immediate regions, those two have only to deal with powers much smaller than themselves. In China's region there are several very substantial powers whose antagonism would be a real burden. The importance of regional relations for a major power's global standing is easily shown by two extreme scenarios for China's future. In the first, China's development provides it with the strength and the identity to become the central hub of Asia, in the process largely displacing the U.S.. It projects an acceptable political and economic image, and its neighbours bandwagon with it out of some combination of fear, prudence, admiration and hope for economic advantage. Its economy becomes the regional locomotive, and in political and military terms it is acknowledged as primus inter pares by Japan, Korea and the ASEAN states. Japan takes up a similar subordinate relationship with China to that it now has with the U.S., and China is able to use the regional institutions created by ASEAN rather as the U.S. uses the Organization of American States. If the other Asian states fear to antagonize China, and don't balance against it, then China is both free to play a larger global role, and is insulated against pressure from the West. And if China succeeds in positioning itself at the centre of an Asian economy, then it can claim 'locomotive' status along with the U.S. and the EU in the global economy. In the second scenario, China inspires fear in its neighbours. Japan's alliance with the U.S. deepens, and India, Southeast Asia, Japan and possibly Russia coordinate their defences against China, probably with U.S. support. Under the first set of conditions, China acquires a stable regional base which gives it both the status and the capability to play seriously on the global political stage. Under the second set of conditions, China may still be the biggest power in East Asia, but its ability to play on the global stage would be seriously curtailed. The task for this section is thus to examine the social and material forces in play and ask how they might support or block a move in either of these directions. Is it likely that China will acquire hegemony in East Asia, or is its rise to power more likely to produce U.S.-backed regional balancing against it? I will examine the factors playing into this question on three levels: China's capabilities and the trajectory of its internal development; China's relations with its Asian neighbours; and its relationships with the U.S. and the other great powers. China's capabilities and the trajectory of its internal development Debates about China's capability and prospects for development can be placed within a matrix formed by two variables: • Does China get stronger (because its economic development continues successfully) or weaker (because its development runs into obstacles, or triggers socio-political instability)? • Does China become a malign, aggressive, threatening force in international society (because it becomes hypernationalist or fascist), or does it become more benign and cooperative (because economic development brings internal democratization and liberalization)? If China's development falters and it becomes weak, then it will neither dominate its region nor project itself on to the global stage. Whether it is then politically benign or malign will be a much less pressing issue in terms of how others respond to it in the traditional politico-military security domain. What could happen in this scenario is that a breakdown in the socio-political order, perhaps triggered by economic or environmental troubles, might well trigger large-scale migrations, political fragmentations, or wider economic crises that would pose serious threats to China's neighbours. A major political collapse in China could also pose threats at the global level, via the scenario of a failed nuclear weapon state. But, if China becomes strong, then the malign or benign question matters a great deal. The benign and malign options could be alternative paths, or could occur in sequence, with a malign phase giving way to a benign one, as happened with Germany and Japan during their comparable phases of industrialization. The likelihood of just such a sequence was what underpinned Gerry's concern to promote constrainment.

**Asian economic stagnation causes global conflict escalation**

**Auslin ‘9** – American Enterprise Institute (Michael, “Japan’s Downturn is Bad for the World”, February 17, Wall Street Journal)

As they deal with a collapsing world economy, policymakers in Washington and around the globe must not forget that when a depression strikes, war can follow. Nowhere is this truer than in Asia, the most heavily armed region on earth and riven with ancient hatreds and territorial rivalries. Collapsing trade flows can lead to political tension, nationalist outbursts, growing distrust, and ultimately, military miscalculation. The result would be disaster on top of an already dire situation. Asia's political infrastructure may not be strong enough to resist the slide towards confrontation and **conflict**. No one should think that Asia is on the verge of conflict. But it is also important to remember **what has helped keep the peace in this region** for so long. **Phenomenal growth rates** in Japan, South Korea, Hong Kong, Singapore, China and elsewhere since the 1960s have naturally turned national attention inward, to development and stability. This **has gradually led to increased political confidence, diplomatic initiatives, and** in many nations the move toward more **democratic systems**. America has directly benefited as well, and not merely from years of lower consumer prices, but also from the general conditions of peace in Asia. Yet policymakers need to remember that even during these decades of growth, moments of **economic shock**, such as the 1973 Oil Crisis, **led to instability and bursts of terrorist activity** in Japan, while the **uneven** pace of **growth** in China **has led to tens of thousands of armed clashes** in the poor interior of the country. Now **imagine such instability multiplied region-wide. The economic collapse Japan is facing, and China's potential slowdown, dwarfs any previous economic troubles**, including the 1998 Asian Currency Crisis. **Newly urbanized workers rioting for jobs or living wages, conflict over natural resources, further saber-rattling from North Korea, all can take on lives of their own. This is the nightmare of governments in the region**, and particularly of democracies from newer ones like Thailand and Mongolia to established states like Japan and South Korea. **How will overburdened political leaders react to internal unrest? What happens if Chinese shopkeepers in Indonesia are attacked, or a Japanese naval ship collides with a Korean fishing vessel? Quite simply, Asia's political infrastructure may not be strong enough to resist the slide towards confrontation and conflict. This would be a political and humanitarian disaster turning the clock back decades in Asia. It would almost certainly drag America in at some point, as well**. First of all, **we have alliance responsibilities to Japan, South Korea, Australia, and the Philippines should any of them come under armed attack. Failure on our part to live up to those responsibilities could mean the end of America's credibility in Asia.** Secondly, **peace in Asia has been kept in good measure by the continued U.S. military presence since World War II**. There have been terrible localized conflicts, of course, but nothing approaching a systemic conflagration like the 1940s. Today**, such a conflict would be far more bloody, and it is unclear if the American military, already stretched too thin by wars in Afghanistan and Iraq, could contain the crisis**. Nor is it clear that the American people, worn out from war and economic distress, would be willing to shed even more blood and treasure for lands across the ocean. **The result could be a historic changing of the geopolitical map in the world's most populous region. Perhaps China would emerge as the undisputed hegemon. Possibly democracies like Japan and South Korea would link up to oppose any aggressor. India might decide it could move into the vacuum**. All of this is guess-work, of course, but it has happened repeatedly throughout history. **There is no reason to believe we are immune from** the same types of **miscalculation** and greed that have destroyed international systems in the past. Here are some things America, its allies, and all interested nations in Asia can do to mitigate the possibility of the worst happening. The United States will have an opportunity to arrange a meeting of the region's top leaders on the sidelines of the APEC summit in Singapore later this year. There, President Obama might express his determination to intervene at the first sign of possible conflict--even if that means putting U.S. forces in between ships aiming their guns at each other. President Obama might also establish an Asia crisis ad hoc committee in Washington, at the National Security Council, to keep tabs on possible flare-ups. This could be replicated in the region by an ad hoc mechanism tied to the ASEAN secretariat that would allow for immediate discussions between parties in confrontation. Working with Japan, Australia, and China, the United States can also establish clear procedures to limit humanitarian crises that erupt from internal instability in Asian countries. Perhaps most important, Washington must get clear assurances from its allies that they will stand with us should hostilities erupt and that any aggressor will be met with a united front. None of this may be needed. **Decades of economic integration and political discussion have made Asia a far more peaceful place**. But war, like politics, is local. **The pain being felt in Asian countries**, their sense of national honor, and fears about their future, **may coalesce into a toxic brew. Without preparation now, the world may be paying the price for years to come.**

### Japan Econ 2nc

Chinese growth and competitiveness is key to Japanese economic growth – America can’t fill in

Jean-Pierre Lehmann, **10**. Professor of International Political Economy at IMD, a global business school in Switzerland, and director of the Evian Group at IMD. “Uncertain times as we enter the China era,” The Australian, http://www.theaustralian.com.au/business/uncertain-times-as-we-enter-the-china-era/story-e6frg8zx-1225907495470.

Paradoxically, just as China has emerged from some 150 years of decline and embarked on a vertiginous ascent, Japan bucked its historical trend and has gone into decline, having experienced two "lost decades" and seemingly now entering its third. What little fire there is in Japan's economic belly comes mainly from its trade with, and production in, China. This is the greatest economic story of the past century or more. It would have been impossible to imagine as recently as a decade ago -- at least not that it would happen this quickly. An earth-shattering economic event cannot happen in isolation. It is bound to have numerous geopolitical ramifications. For one thing, the US-Japan Security Treaty, which has been the bedrock of US strategy in the Pacific for more than half a century, may become less viable. Although Japan never committed military support, because of its economic clout and wealth it was able to engage in what a former Ministry of International Trade and Industry vice-minister Naohiro Amaya has dubbed "chequebook diplomacy". The main story in Asia has been the economy, but it also contains many geopolitical fault-lines: the Korean Peninsula, Taiwan, the South China Sea, China and India, among many others. The seismic shift in the Pacific is occurring at a time when the US is also suffering from economic woes, policy confusion and is mired in Afghanistan. Japan may have been an economic rival, and trade tensions were high, in the 1980s, but geopolitically it was docile and obedient. China's geopolitical agenda is by no means as clear. Is it friend? Is it foe? Is it both, depending on the issue? Which issues? How, to cite only one example out of many, will China and the US address the energy questions of the 21st century? It remains to be seen whether China will also eclipse the US economy in the next couple of decades, as predicted by many, including Goldman Sachs. The Chinese economic colossus also harbours fragilities, but one thing seems certain: while the 19th was the European century and the 20th the American century, the world seems to have entered what may become known as the Chinese era. These will certainly be interesting times. What does this mean for managers? In 1967, French thought leader Jean-Jacques Servan-Schreiber published a book that had a huge impact -- translated into 15 languages -- titled Le Defi Americain (The American Challenge). The message was that survival required adapting to the American challenge. European business schools, such as IMD, were instituted as a means to meet the American challenge and by learning from the US. China is unlikely to replace the US in the immediate future, yet there is undoubtedly a Defi Chinois. This refers not only to the Chinese market and Chinese production, but to China's rapidly growing global presence. Doing business in, say, Brazil, will require dealing with the challenge of Chinese competitiveness. Lots of homework is needed.

Collapse of Japan’s economy incites rabid nationalism and rearmament.

Burkert, ‘9 [Michael, “Bankruptcy in Japan and the Rise of Militarism” The Garner Ted Armstrong Evangelistic Association, 7-1, <http://www.garnertedarmstrong.org/Mark_Wordfroms/manews0122.shtml>]

Garner Ted Armstrong warned of worldwide financial collapse and it’s upon us now. He also warned us that collapsing governments create a power void that is quickly filled by extremists bent on righting the wrongs of the previous government, often with violent and tragic results. I urge each of you to read his comments published at this website in 2002. His commentary, IS GLOBAL ECONOMIC MELTDOWN UNDERWAY, is as valid today as it was when he wrote it.  Mr. Armstrong wrote, “Japan is frantically trying to save its entire banking system, which had its own chicanery and scandals. Japan is now awash in a sea of bad debt, struggling to make reforms after 10 years of falling prices and recession. Will a military government soon take over in Japan?"  What are the odds that Japan will once again become a militaristic nation; one that reveres the emperor, bows to authority and honors a strong army and navy? Sadly, the odds are good for this very event to happen and happen quickly right before our eyes.  Japan continues to have many enemies. Many nations once occupied by Japanese forces have NEVER forgotten the brutal ways in which their peoples were treated by the invading Japanese forces. In the West, “political correctness” has seen to it that most Japanese atrocities committed against British, Australian, New Zealand, and American personnel were warranted and justified, due to the rampant anti-Japanese “racism” in the Commonweath nations and the United States.  Wartime brutality and atrocities directed against the Chinese and other Asian peoples are glossed over and conveniently ignored by most in our Western partisan and liberal media. However the Chinese have not forgotten. The Koreans, Vietnamese, and Burmese have not forgotten how barbaric, occupying Japanese troops behaved. Accordingly, there is little sympathy for Japan today in most of Asia. Japan sees herself in a “go-it-alone” situation. Today in Japan, numerous radical political groups want to seize power and rule. Most are extreme national movements that revere the emperor, swear allegiance to everything that smacks of Japanese royalty and absolutely are willing to “die for the emperor and the Japanese nation!” They want a large, modern, and strong army. They demand a new Imperial Navy that can rival any navy in the world. They believe that they have an economic plan that will put Japanese back to work, create jobs in the armaments industry and return Japan once again to a nation feared and respected.  Japanese militarism is on the rise and the collapse of the democratic government in Tokyo may well usher in a new prime minister selected from the military high command. The militarist groups have received little media coverage over the years and in the West were mostly thought of as kooks.  Now, however, the aggressive nationalism they espouse is becoming mainstream. A resurgent nationalism among some mainstream politicians and North Korea’s recent nuclear testing have meant right-wing groups are now being listened to at the highest levels. Many of the policies they promote are now on the government’s agenda.  Traditionally sensitive topics that have recently become open to political and public discourse, such as stripping the constitution of its pacifist components, developing nuclear weapons, and promoting patriotism in schools, are the very issues right-wing extremists have been pushing for decades.  They know that Japan was able to rapidly expand her economy and bring about prosperity during the militaristic era of earlier times. They hope to repeat what their grandfathers accomplished and are likely to do so if Tokyo defaults on her huge debt and the government collapses.

Nuclear war.

Interfax, ‘6 [Rick Rozoff, “Nuclear Japan Would Trigger ‘Terrible Arms Race’ in Asia” 11-2006, <http://lists.econ.utah.edu/pipermail/a-list/2006-November/063410.html>]

MOSCOW - The emergence of nuclear weapons in Japan would trigger an arms race in Asia and neighboring regions, Politika Foundation President Vyacheslav Nikonov said.  "The situation would take a very dangerous turn should Japan take this path: the nonproliferation regime would be undermined and a terrible arms race would begin in Asia," Nikonov told Interfax on Tuesday.  Nikonov made these remarks while commenting on the Japanese government's statement that Japan could legally possess nuclear weapons "however minimal the arsenal might be."  "If this happens, South Korea could claim nuclear status and China would no longer put up with the small nuclear arsenal it has. The chain reaction would then entangle India, Pakistan and Iran," the Russian expert said.  "This race could ultimately result in the use of such weapons," he said.

### Japan Econ XT

**Japanese economic collapse causes Asian instability and collapses trade and democracy**

**Auslin ‘9** – American Enterprise Institute (Michael, “Japan’s Downturn is Bad for the World”, February 17, Wall Street Journal)

If Japan's economy collapses, supply chains across the globe will be affected and numerous economies will face severe disruptions, most notably China's. China is currently Japan's largest import provider, and the Japanese slowdown is creating tremendous pressure on Chinese factories. Just last week, the Chinese government announced that 20 million rural migrants had lost their jobs. Closer to home, Japan may also start running out of surplus cash, which it has used to purchase U.S. securities for years. For the first time in a generation, Tokyo is running trade deficits -- five months in a row so far. The political and social fallout from a Japanese depression also would be devastating. In the face of economic instability, other Asian nations may feel forced to turn to more centralized -- even authoritarian -- control to try to limit the damage. Free-trade agreements may be rolled back and political freedom curtailed. Social stability in emerging, middle-class societies will be severely tested, and newly democratized states may find it impossible to maintain power. Progress toward a more open, integrated Asia is at risk, with the potential for increased political tension in the world's most heavily armed region.

### Oil 2nc

**Slowing Chinese Economy crushes the price of oil and strangles the world economy.**

**Sharma 4/25**/2012 “China Slows Down, and Grows Up” RUCHIR SHARMA (Managing Director, Head of Global Emerging Markets Equity Team, Portfolio Manager, and Member of Global Tactical Asset Allocation Investment Committee, Morgan Stanley Investment Funds - Emerging Markets Equity) Published: April 25, 2012 -http://www.nytimes.com/2012/04/26/opinion/china-slows-down-and-grows-up.html

The news of a slowdown in China, which just posted its worst quarter since 2009, has reignited the debate over its future. The consensus remains bullish, and is captured in the latest forecast by the International Monetary Fund, which expects China’s G.D.P. to continue growing at an annual rate of around 8 percent for five more years. A bearish minority, however, reads the warning signs — labor unrest, a housing bubble, an unprecedented investment binge — as a sign of impending collapse. Neither side has got it right. In fact, China has reached a stage at which all “miracle economies” have slowed significantly, but not disastrously. It is well known that developing nations hit a “middle-income trap,” and stop catching up to rich nations, when per-capita income reaches about $5,000 to $15,000 (in current dollars). The examples (Brazil, Mexico, Malaysia) are numerous. What is less known is that even those rare economies that broke through the middle-class trap started to decelerate — still catching up, but more slowly — after reaching a per capita income of around $5,000 (in current dollars). Japan in the 1970s, Taiwan in the 1980s and South Korea in the 1990s all slowed from a growth rate of about 9 percent to around 5 percent, simply because the bigger the economy, the harder it becomes to grow fast. China passed the $5,000 per capita income level last year, and is now showing the same signs of deceleration that Japan, Taiwan and South Korea exhibited at that level: rising labor demands for higher wages and a decreasing demand for new investments. China’s growth model is similar to Japan’s in the 1970s, and the most likely scenario is that China will follow the path of Japan in that decade, when its growth rate slowed to 5 percent. China will continue to catch up to the United States, but its growth will slow to a pace of around 6 to 7 percent over the next 5 to 10 years. At that point, China’s economy will be even larger, and may decelerate again. This process is under way, and it signals a basic power shift in the global economy. China became the biggest contributor to global G.D.P. growth in 2007, and it has held the lead ever since. But if the United States continues to grow at its current pace of about 2.5 percent, and China slows to 6.5 percent, then the United States will regain the lead this year — contributing 23 percent of global growth in 2012, compared to 18 percent for China — and it will hold that lead at least through 2015, according to Morgan Stanley research. Investors who have bet big on near-double-digit growth in China will be troubled by this slowdown and will start looking for a safer destination. With Europe and Japan both growing at less than 2 percent, the focus of global attention will shift to the improving competitive position of the United States, and capital flows will follow. China’s slowdown is setting the stage for a drop in the price of oil, which has had a crippling effect on growth in the United States. In recent years China has accounted for nearly half of global growth in oil demand, and every 1 percent of G.D.P. growth in China added 10 to 30 percent to the price of oil. China’s slowdown is also opening the door to a revival in American manufacturing. China is suffering many symptoms typical of a maturing miracle economy, from a strengthening currency to rising wages, land prices and transport costs, while the United States has a weak currency, stagnant wages and a moribund property market. The dollar is near record lows (in inflation-adjusted terms) against many of its trading partners, including China. The long-term decline in the United States’ share of global manufacturing exports bottomed out in 2008 at 8 percent, but has since been inching higher. The Boston Consulting Group predicts that by 2015, China will have lost most of its cost advantages, accelerating the “reshoring” that is already bringing some factory jobs back home from China. These shifts will reshape the global balance of economic power, mostly for the better. A collapse in China to zero percent growth would be disastrous for the world economy, but it is unlikely, in large part because Chinese leaders understand that the current slowdown is inevitable. They are lowering growth targets and trying to manage rather than fight the deceleration (which would only make it worse). At the near double-digit growth rate of the last 15 years, China was the equivalent of a company with disruptive technology — destroying competitors, lifting suppliers, sucking in capital, stealing jobs and moving so fast that rivals couldn’t keep up. A smooth downshift to 6 or 7 percent makes China a more normal rival, one the world can do business with and compete head to head against — one that should generate a lot less worry

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### US-China War 2nc

Chinese economic slowdown causes US-China war – no risk of it in a world of growth

Zhou ‘8 – **Asst Prof Dept of Asian Languages and Cultures at Hobart and William Smith Colleges**

[Jinghao, “DOES CHINA’S RISE THREATEN THE UNITED STATES?”, Vol. 32, No. 3, 2008, pp. 171-182, http://www.asianperspective.org/articles/v32n3-g.pdf]

**China is rising**, I maintain, **but China’s rise does** not necessarily **threaten the U**nited **S**tates. The typical power transition is not inevitable, because “**not all power transitions generate war** or overturn the old order.”7 **Whether or not China will threaten the U**nited **S**tates **will be determined not by China’s economic strength but by the essence of China’s political system. An economically strong China is not a threat, but** the collapse of China **would** inevitably disturb the global peace, especially for developed countries. In March 2007, Chinese premier Wen Jiabao said that **Washington should** not fear China’s growing defense spending, should not **fear that Beijing’s overseas investments will destabilize the dollar,** and should not even fear the successful anti-satellite missile test that the military undertook in January 2007.8\

US-China war causes extinction

The Nation 5-14-2001

China is another matter. **No sane figure** in the Pentagon **wants a war with China,** and all serious US militarists know that China’s minuscule nuclear capacity is not offensive but a deterrent against the overwhelming US power arrayed against it (twenty archaic Chinese warheads versus more than 7,000 US warheads). Taiwan, whose status constitutes the still incomplete last act of the Chinese civil war, remains the most dangerous place on earth. Much as the 1914 assassination of the Austrian crown prince in Sarajevo led to a war that no wanted, a misstep in Taiwan by any side could bring the **U**nited **S**tates **and China in**to **a conflict** that neither wants. Such a war **would bankrupt the U**nited **S**tates, deeply divide Japan **and probably end in a Chinese victory, given that China is the world’s most populous country and would be defending itself against a foreign aggressor.** More seriously, **it could easily escalate into a** nuclear holocaust**.** However, given the nationalistic challenge to China’s sovereignty of any Taiwanese attempt to declare its independence formally, forward-deployed US forces on China’s borders have virtually no deterrent effect.

### US-China Relations 2nc

**China econ collapse destroys relations**

**Cutter 10** - Senior Fellow and Director, Economic Policy Initiative at the Roosevelt Institute, and former Managing Director, Warburg Pincus (Bowman, “If the Chinese Bubble Bursts…”, The International Economy, Fall 2010, www.international-economy.com/TIE\_F10\_ChinaBubbleSymp.pdf)//CH

The most important consequence of a major “China Bust” would be an almost inevitable political and economic crisis in the China-U.S. relationship. I should be clear that I am specifying a major economic and financial crisis in China, in relative terms approximately the same size as that just experienced by the United States. Such a crisis is extremely unlikely. The economic consequences of a bust are straight- forward. But the inevitable policy moves China will feel it will have to take, and the consequences of those, could easily create enormous political problems. The crisis itself will cause the renminbi to fall in value. As it hits, China will move both with substantial stimulus and with a TARP-like bailout policy. But its real policy focus will be on an export-led recovery. Why? Because it is by far the best policy lever China has. This policy emphasis will involve substantial new export subsidies, and a strong policy focus on a weaker renminbi. This, in turn, will export more of the crisis to the rest of Asia and will prolong the weak recovery the United States and Europe are already seeing. As these developments become apparent, any Administration would have to act with a much harder line toward China. At the same time, the overall political mood in the United States vis-à-vis China will become even uglier. These U.S. political responses could easily interact with Chinese politics to produce a long-term rupture in the China-U.S. relationship. This is a low probability/high consequence scenario—exactly the kind of policy management problem governments are least likely to be able to prepare for. And both the U.S. and Chinese governments have enough high probability/high consequence problems to fill up their time. But my experience is that it is almost always the combined and interacting political-economic environment that is mutually misunderstood as tensions between nations increase.

## **\_\_\_\*\*2nc A2/XT**

### **UQ – a2 Competition Now**

**China’s dominating the global steel market now**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

The unprecedented growth of the Chinese steel industry continues to defy market forces. Indeed, China has captured all of the world's growth in steel production over the last decade. From 2000 to 2009, **Chinese steel production increased by 346 percent**, while steel production in the rest of the world decreased by 10 percent.' Today, China's total steel production is on pace to be as much as 630 million metric tons per year, accounting for **more than 45 percent of global steel production**.2 This unparalleled expansion has been facilitated by massive government intervention. For years, the Chinese government has owned, directed, and subsidized virtually every aspect of the Chinese steel industry. Today, in violation of its commitments regarding market reforms made upon accession to the World Trade Organization ("WTO") in 2001, **the Chinese government** continues to exercise **considerable ownership and control over its steel industry**. In addition to owning majority shares in most of its major steel producers, the Chinese government maintains a high degree of decision-making authority over the steel industry and continues to intervene extensively in the operations of individual steel companies. As a result, more than ever before, China's steel producers are operating in an environment **where basic market forces do not exist** or apply, and where commercial decisions are mandated by the government - a clear violation of China's WTO commitment to "not influence, directly or indirectly, commercial decisions on the part of state-owned or state-invested enterprises."3

**More ev – no close rivals**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

China's growth in steel production has not been based on commercial considerations. Rather, the Chinese steel industry is a creation of the state. Its unparalleled expansion is the direct result of massive intervention by the Chinese government and has **negatively affected production in other markets**. Such expansion would not have been possible but for the Chinese government's overwhelming ownership and control of the steel industry, and the government's provision of an extraordinary range of subsidies and other support to Chinese steel producers. These **subsidies have caused serious prejudice to market-based producers in the rest of the world**, including reduced capacity expansion, production, sales, and profits.

### UQ – a2 Exports Declining

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

**News Track India 6/8** [News Track India,“China steel industry eyes brisk business”, 6/8/12, [www.newstrackindia.com](http://www.newstrackindia.com), accessed 6/25/12]

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

### UQ –a2 UQ Overwhelms

**China is on top but UQ doesn’t overwhelm – 3 reasons:**

**a. Demand – weakened demand could kill profits-mill schedules prove**

**Reuters 6/24** [ Reauters.com, “ China daily crude steel output rises to 2 million tonnes: CISA” Sun, Jun 24 2012, accessed 6/25/12]

China's steel mills produced an average of 2 million tonnes of crude steel a day over the June 1-10 period, edging back to the record levels reached in early May, as large mills ramped up output, data from the China Iron and Steel Association (CISA) showed on Wednesday. Total inventories held by large and medium-sized steel mills in the first 10 days of June were 11.51 million tonnes, up 0.14 percent from the previous period and a 35 percent jump since the start of the year. Although small and medium-sized mills have begun to pare output, CISA data shows that large steel makers in China, the world's biggest steel producer and consumer, raised production to increase economies of scale, which would help boost their profit margins. Despite sluggish demand, steel output in the country remains high as large mills prefer to keep their margins razor-thin rather than lose market share to other rivals in the country's fragmented sector. However, the poor demand may soon hit the mills, according to Hu Yanping, an analyst at consultancy firm CUsteel. "We're beginning to see more mills extend their maintenance schedules because of a combination of weak demand and poor profitability. So overall production will likely fall in June," said Hu. Chinese steel prices, as measured by rebar futures in Shanghai, are down around 1 percent this year. Separately, spot iron ore prices rose for the eighth straight session to $136.60 a tonne on Tuesday, marking its longest upward streak in seven months, on trade expectations of more Chinese mills replenishing stocks.

**b. Competition – it would independently cause trade disputes with the US**

**WSJ 6/12** [Wallstreetjournal.com June 12th, Rising China Steel Exports May Fuel U.S. Trade Spat , 6/12/2012, accessed 6/25/12]

BEIJING—Chinese steel exports are surging against the backdrop of record production and waning demand in China, resuming a trend that may set the stage for a resumption of trade disputes with the U.S. The countries' steel-trade relationship soured in November 2009 when the U.S. issued punitive tariffs to stop a wave of Chinese oil-well tubes. China's steel exports have resumed climbing in recent months, escalating tensions with the U.S. Last month, exports surged to their highest level since June 2010 to reach 5.23 million metric tons, China customs data showed. "The West is increasingly at risk from Chinese overproduction as steelmakers continue to cut export prices in an attempt to use the export market as a 'supply relief valve' to reduce pricing pressure at home," Chicago-based Steel Market Intelligence said Tuesday. China's tactics will further pressure global prices as global demand slows during the summer, it said. China's customs data showed that net steel-product exports last month also reached a two-year high. The U.S. International Trade Commission on May 30 voted to back retaliatory duties on high-pressure steel cylinders from China, after exports surged to $81.7 million last year from $49 million in 2010. The U.S. Commerce Department has announced plans to impose antidumping duties of up to 31.21% on the cylinders. Also in May, China sought to challenge U.S. countervailing duty measures against 22 goods, including steel products, at the World Trade Organization. Chinese analysts played down the likelihood of steel exports aggravating the bilateral trade relationship, attributing the upward blip to a stronger dollar. "The weak domestic market is a key reason for the export surge... though exports may also have risen over a short term due to the rising U.S. dollar, which is not expected to last," Lange Steel analyst Lu Huaying said. The dollar rose more than 6% against the euro in May, though it has ebbed marginally since. Lange data showed that while global steel prices in May fell about 1.9%, Chinese steel prices fell by a far wider margin of around 4% on month. Mills have revved up production even as domestic demand and prices fell this year, with crude steel production ebbing only slightly in May, from record levels in April. Bellwether Baoshan Iron and Steel Co. 600019.SH -0.45% cut July prices on Monday, its first reduction this year, following reductions of about $13-$30 a ton by other major mills in June.

**c. Foreign dependence – ore and mill losses prove**

**Financial Times, 6/24** [Henny Spender, Financial Times, “China: Dug in too deep”, 6/24/12, [www.ft.com](http://www.ft.com), accessed 6/25]

Chang Zhenming, chairman of Citic Pacific, is unambiguous about the significance of his company’s Sino Iron mine in the desolate, red-soiled Pilbara region of Western Australia. “The whole of China is watching this project,” he says. More to the point, China is watching with some trepidation as his Hong Kong-listed company faces increasing cost overruns and delays. The stakes are high. Mr Chang says Sino Iron is four times bigger than any iron ore project at home. While outside observers often fear Chinese companies are unstoppable juggernauts in their ravenous pursuit of the world’s minerals, much of this perception is inaccurate. China’s int­ernational resource expansion is not running smoothly. The world’s second-biggest economy had hoped it would more easily control its economic destiny by taking huge mineral stakes, robbing companies such as BHP Billiton, Vale and Rio Tinto of the ability to dictate commodity prices. But the Sino Iron project, far from being a showcase for China’s might, has become instead a cautionary tale of the difficulties Chinese enterprises face as they seek to expand abroad. When it was first conceived in 2006, the total cost was estimated at under $2bn. By now, it has already cost Citic Pacific $7.1bn. Analysts at Citigroup calculate the bill could swell to a possible $9.3bn, while others say they expect the ultimate bill will be closer to $10bn. The mine is at least two years behind schedule. “This is no longer about commercial goals,” says a senior executive at one leading Asian trading company with extensive sourcing operations in Australia. “It is about Chinese machismo. They have plonked down too much money to pull out now.” In fact, it is about more than machismo. China imports about 60 per cent of its iron ore and the project was a fundamental attempt to break free of foreign suppliers, which Chinese steelmakers accuse of driving prices too high. “China has always been captive to a few players. Now the country no longer wants just to passively receive the offtake from projects,” says James Cameron of HSBC, describing the trend. “They want to develop new sources of raw materials and they want equity in projects.” But the problems at Sino Iron show China is struggling to do this. Its companies are straining to prove they have the knowhow and managerial skills to work in environments very different from their homeland. Chinese enterprises are often unprepared for the rigours of foreign competition after spending so long operating cosily under government protection at home. Cultural problems over labour laws and the nature of contracts cause particular angst. Sino Iron is not the only Chinese project in trouble in Western Australia. There are 14 important iron ore projects in the region. Eight of them have Chinese money and bankers say several are plagued by similar delays and cost overruns. Steelmaking: From pig iron to pigs Fifty years ago, China had one goal: to produce more steel than the US. Schoolchildren hunted for steel scraps on the street, families melted down their pots and pans, and villages tried to build rudimentary smelters. As Chairman Mao Zedong launched the “Great Leap Forward” in 1958 – an industrialisation programme that ended in disastrous famine – he declared that steel production was the most important measure of industrial progress. Decades after Mao’s death, his wish has come true: China is by far the world’s largest steel producer, accounting for nearly 45 per cent of global production. Not only does China make more steel than the US – it makes eight times more. But there are signs that it has overstretched. Chinese steel mills report their worst losses in more than 10 years – collectively losing Rmb1bn in the first quarter of this year – and many have decided it might be time to turn their focus elsewhere. In a striking vote of no-confidence for the outlook on steel, Wuhan Iron and Steel, one of China’s largest producers, has even taken up pig farming.

### \*\*2nc a2 Link Turns

**The link only** **goes one way**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

These policies and actions by the Chinese government have distorted world trade and have imposed tremendous economic costs on other countries, including the United States. By making its steel industry artificially competitive in world markets, the Chinese government has disadvantaged market-oriented producers around the globe, including those in the United States. Deploying its steel-producing SOEs overseas to compete in private markets will **only** further distort global steel markets and **cause** additional **harm** to U.S. steel companies and their workers. Despite its WTO commitments, the Chinese government has chosen to increase its ownership, and control of its steel industry. As a result, the United States and other trading partners should increase efforts to ensure China's compliance with its WTO commitments and international legal obligations.

### Link UQ – Planning

**Artificial controls enable China to dominate the market now – the plan shifts demand**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

In December 2008, domestic Chinese prices for coke were **$241/MT lower than export prices**. Production of one ton of steel requires approximately 0.6 tons of coke.86 This means that Chinese steel producers enjoyed a **cost advantage of** nearly **$145/MT over their international competitors**. MEPS, a leading source of steel industry statistics, calculated a "global composite carbon steel price" for December 2008 of $676/MT. Because of China's export restraints, Chinese steel producers enjoyed a cost advantage equal to more than 20 percent of the world market price for carbon steel. A similar gap between domestic and export prices, and the resulting benefits to Chinese steel producers, **continues to exist today."** Despite the Chinese government's efforts to justify their export barriers (i.e., for environmental purposes), these restrictions are little more than a thinly veiled attempt at industrial planning - to artificially advantage China's domestic manufacturers with greater quantities of cheap raw material inputs and bolster downstream exporting industries. Indeed, many of these measures have been implemented to create **a disparity between domestic** prices **and world market prices** - a disparity **that favors China's domestic** enterprises. As a result, Chinese producers and other manufacturers are receiving an unfair advantage, making them more cost-competitive and profitable than they would otherwise be in an open market. China's interference in raw material markets has also adversely impacted the availability and price of critical raw materials worldwide. The result is a significant and unfair advantage for Chinese domestic manufacturers and increased input costs for manufacturers in other markets, including the United States. As USTR has concluded: "China's export restraints not only distort world markets in these critical Raw Materials but they also have effects through the entire manufacturing chain and broad implications for competition and trade in a variety of products."88

### Link XT

**China will dominate the market – that crowds out U.S. businesses**

**Tang, 10** – Analyst in Industrial Organization and Business (Rachel, September 21, 2010, “China’s Steel Industry and Its Impact on the United States: Issues for Congress,” Congressional Research Service, http://www.fas.org/sgp/crs/row/R41421.pdf, DJH)

China’s emergence as the world’s largest steel producer and major manufacturing base has multiple ramifications to the United States and other countries. Its rapid growth in steel production requires an adequate and steady supply of raw materials. This means China will continue to have substantial influence over the global supply and price of raw materials and, indirectly, affect the production costs and profitability of its competitors.

**China will outcompete US steel**

**Tang, 10** – Analyst in Industrial Organization and Business (Rachel, September 21, 2010, “China’s Steel Industry and Its Impact on the United States: Issues for Congress,” Congressional Research Service, http://www.fas.org/sgp/crs/row/R41421.pdf, DJH)

Chinese steel is used mainly in its domestic market. What has concerned the U.S. steel industry is that, as China adds new and modernized steel capacity, it will be used increasingly to export surplus steel after domestic demand is adequately met. When China hits a period of overproduction and surpluses, a natural reaction would be to export the excess steel. Steelmakers in the United States believe that **China’s steel industry subsidization by its government** (in the form of an undervalued currency; export rebates and/or quotas; subsidized financing; and relatively weak environmental, labor, and safety regulations) **is one of the key issues affecting the** health of **U.S. steel sector**. There have been multiple anti-dumping and countervailing cases in the United States against Chinese steel products, suggesting that U.S. steel producers and trade officials are increasingly using trade remedies to enforce international trade laws.

### L – a2 China Steel = Indep

**It’s the other way around – the government is strengthening their control**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

Finally, the central government has made it abundantly clear that it has no intention of relinquishing ownership and control over the steel industry. Indeed, because steel has been designated as a strategic industry, the central government has indicated that it plans to retain substantial influence in the sector. For example, in December 2006, the central government SASAC issued the "Guiding Opinion Concerning the Advancement of Adjustments of State Capital and the Restructuring of State-Owned Enterprises," which identities sectors deemed to be critical to the national economy. This measure indicates that the government must maintain strong state control over "pillar" and "backbone" industries such as iron and steel." Similarly, the October 2008 "Law on State-owned Assets of Enterprises" was implemented to further enable SOEs to play a dominant role in the national economy, especially in key sectors, and to promote the development of China's "socialist market economy."30 These provisions are directly at odds with the letter and spirit of China's WTO commitments to "not influence, directly or indirectly, commercial decisions on the part of state-owned or state-invested enterprises."31

**Government intervention in the steel industry won’t stop anytime soon**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

In sum, through its ownership stakes and numerous industrial policies, the **Chinese government continues to exercise** significant **control over the** growth and evolution of **the steel industry**, including with respect to raw materials. Despite its commitments regarding market reforms, government intervention in the steel industry has grown steadily since China's accession to the WTO in 2001. Indeed, the Chinese government has shown no signs of relinquishing control over the steel industry, as China's large steel-producing SOEs are now being deployed overseas to further the government's political objectives.

### L – a2 Foreign Investment

**China’s different from the past – and it trades off with our industry**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

The U.S. steel industry is no stranger to foreign investment. In fact, a number of major privately owned foreign steel producers have facilities in the United States. A critical distinction exists, however, between foreign investment directed by private companies to further commercial considerations, and foreign investment pursued by government-controlled entities to advance political objectives. While the former category of foreign investment has and should continue to play an important role in the growth and development of the U.S. economy, the latter category may threaten the economic security of the United States. As detailed below, the Anshan investment is a prime example of the concerns faced by the United States and other countries as a result of China's pursuit of government-mandated industrial policies.

### L – a2 Free Market S

**The free market *magnifies* the link**

**Cooney 7** CRS Specialist in Industrial Organization and Business Resources, Science, and Industry Division (Stephen, 31 October 2007, “Steel: Price and Policy Issues,” Congressional Research Service, http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1492&context=key\_workplace)

The concern of U.S. producers is that whenever domestic Chinese demand falls short of expectations, the U.S. market will see a sharp increase in steel imports from China. For example, by 2000, China was exporting more than one million MT of steel annually to the United States. These exports fell off to 582,000 MT in 2003, as U.S. demand declined and trade safeguards were implemented. But Chinese imports in the United States almost tripled to more than 1.4 million MT in 2004, increased again by a third to 1.9 million MT in 2005, and more than doubled again in 2006, as discussed above. Data for 2006 seem to indicate that, while steel demand in China is continuing to increase, it is not keeping pace with the building of new, modern steelmaking capacity, and Chinese exports are likely to grow.104 While the Chinese central government may be committed to eliminating old capacity, consolidated, internationally competitive Chinese producers may be even more of a problem for the U.S. industry in an open market environment.

### L – a2 OECD

**The OECD can’t stop China**

**Price et al, 10** (Alan H., lawyer at Wiley Rein and head of the firm’s international trade practice, \*and Timothy C. Brightbill, JD, Adjunct Professor of Law at Georgetown University and a partner at Wiley Rein LLP, \*and Christopher B. Weld, lawyer at Wiley Rein, \*and Tessa V. Capeloto, lawyer at Wiley Rein, October 2010, “The Reform Myth: How China is Using State Power to Create the World’s Dominant Steel Industry,” http://www.steel.org/~/media/Files/AISI/General%20Docs/reform%20myth.ashx, DJH)

In short, this type of investment forces private steel companies to compete directly against the Chinese government in the U.S. marketplace, creating significant imbalances that harm private companies and distort the steel market. Such market distortions are the very reason that the U.S. government and the OECD have worked for years to remove government ownership and subsidies from the steel industry - an effort that is being severely undermined by these types of investments.

### L – a2 Overheat\*\*

**No Chinese Overheating because of infrastructure – the link swamps the turn**

**Keene 10**“China's Housing Market Isn't Overheating, Roach Says” Tom Keene (Chartered Financial Analyst and a member of the CFA Institute, the National Association for Business Economics, the American Economic Association and the Economic Club of New York.) By Mary Childs and Tom Keene - Jun 15, 2010 11:59 AM ET http://www.bloomberg.com/news/2010-06-15/china-s-housing-market-isn-t-overheating-stephen-roach-says-tom-keene.html

The property boom in China isn’t a bubble because it’s supported by “solid” demand for residential housing, according to Stephen Roach, chairman of Morgan Stanley Asia Ltd. While portions of the real-estate market such as high-end apartments are overheating, demand for residential homes will remain robust as rural Chinese migrate to bigger cities, Roach said in a radio interview from Hong Kong with Tom Keene on Bloomberg Surveillance. “This is just a sliver of the property boom,” Roach said, citing that each year since 2000, between 15 and 20 million people migrate to Beijing, Shanghai, and second- and third-tier cities in mainland China. That’s two and a half New York Cities created annually, he said. “This underpins a huge demand for residential property. This property has not overheated and the demand for this property is very, very solid.” The nation’s property prices rose 12.4 percent in May from a year earlier, the second-fastest pace on record. China’s banking regulator said today it sees growing credit risks in the nation’s real-estate industry and warned of increasing pressure from non-performing loans. China’s lawmakers have raised down payment requirements and mortgage rates and restricted loans for multiple-home buyers as they seek to dampen record property price gains. The government’s “decisive” actions in April are working to cool the sections of the housing market that were overheating, according to Roach. “By all accounts, it looks like the measures are working for now,” he said. ‘Horrible Misconception’ China, the world’s fastest-growing major economy, expanded 11.9 percent in the first quarter from a year earlier. The Shanghai Composite Index, which tracks the bigger of China’s stock exchanges, has dropped 22 percent this year. Markets in China are closed from June 14 to June 16 for a holiday. China has kept the yuan linked to the dollar as a crisis- fighting policy, swelling its Treasury holdings and fueling complaints from U.S. lawmakers that it has an unfair advantage in global commerce. American lawmakers said they’ll go ahead with legislation targeting the yuan as U.S. and Chinese leaders prepare to meet at a Group of 20 summit this month in Canada. Floating the yuan won’t rebalance the trade deficit, Roach said. “It’s just bad economics to pretend we can fix the lives of middle class American workers by getting the Chinese to revalue its currency vis-a-vis the dollar -- it’s a horrible misconception,” Roach said. “If we don’t boost our national savings rate, with trillion dollar deficits as far as the eye can see, the Chinese piece of our multilateral trade deficit just goes somewhere else. It goes to a higher-cost producer and that taxes the American people.” ‘Reasonably Well Protected’ Treasury Secretary Timothy F. Geithner said last week that a more flexible yuan would allow China to pursue “a more effective, independent monetary policy, which is particularly important now, with China’s economy facing a risk of inflation in goods and in asset prices.” China shouldn’t cave to the pressure and should revalue the yuan when its financial system is more developed, Roach said. “They’ve still got a long way to go in opening up their capital account, opening up their financial system and making certain their financial institutions can be reasonably well protected from the ups and downs of financial markets and currency gyrations,” he said. “It’s a process. Over the next 10 years, you will see China take enormous steps toward making their currency fully convertible but it will take that long or possibly even longer to do that.”

### L – a2 Plan Not US Steel

**60% of the steel has to come from U.S. companies**

**Pollin and Baker 9** Co-director and Professor of Economics, Political Economy Research Institute at @ UMass; AND co-founder of the Center for Economic and Policy Research (Robert; Baker, December 2009, “Public Investment, Industrial Policy and U.S. Economic Renewal,” Political Economy Research Institute’s Center for Economic and Policy Research, http://www.peri.umass.edu/fileadmin/pdf/working\_papers/working\_papers\_201-250/WP211.pdf)

The Buy America Act requires that all federally-funded transit investments be built with at least 60 percent of their components produced in the U.S. and that the assembly also be performed within the U.S. As such, **any initiative** such as this to expand bus production and bus service throughout the United States **would** **necessarily mean** most of the production will be done by U.S. workers.25

### L – a2 Waivers alt cause

**New website means U.S. companies won’t lose the business**

**Hall 11** staff writer for theUnited Mine Workers Journal, writer for AFL-CIO (Mike, 3 January 2011, “Transportation Dept. Launches Buy American Website,” AFL-CIO, http://www.aflcio.org/Blog/Economy/Transportation-Dept.-Launches-Buy-American-Website)

Now the U.S. Department of Transportation, following a TMAP recommendation, has launched a new website that will post all Buy American waiver requests in one central location so that any American company can see easily if they can fill a particular need. The foreign purchases were allowed because of waivers of federal Buy American standards that require 100 percent domestically made steel for tracks and 60 percent of U.S.-made components and U.S. assembly of rolling stock. In many cases those waivers were made with little public notice and U.S. manufacturers never had opportunities to seek the work. With the new site, domestic manufacturers will have a better opportunity to respond to claims that products or materials are insufficiently available or cost too much. Says Transportation Secretary Ray LaHood: In the past, it has been difficult for companies to locate Buy America waiver requests….Now, we are improving access to business opportunities by posting all waiver requests on this page—in one central location—so that any American company can easily see if they can fill a particular need. The website also houses comprehensive information about each of our agencies’ Buy America provisions, requirements and waiver processes. In addition, companies can subscribe to receive alerts when new information on Buy America for Department of Transportation-funded infrastructure projects is posted.

### L – a2 WTO S

**Market-based reforms are short-term – downstream solutions ensure Chinese control**

**Cooney 7** CRS Specialist in Industrial Organization and Business Resources, Science, and Industry Division (Stephen, 31 October 2007, “Steel: Price and Policy Issues,” Congressional Research Service, http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1492&context=key\_workplace)

The U.S. government has stated its preference for market-based policy reforms, including the elimination of systemic subsidies, rather than administrative actions on foreign trade, as a solution to the question of unfair competition from China. But the breadth of the U.S. WTO case on Chinese subsidies throughout its economy indicates how deep-rooted such policies are, and how difficult they may be to eliminate. Consequently, short-term measures may be necessary to address the problem of “overheated” steel exports. But in implementing this approach piecemeal and with border measures aimed at specific products, the Chinese government may also give the impression that it is manipulating or gaming the trading system product by product.123 Moreover, the discouragement of steel exports may well just push the problem downstream, as U.S. steel consuming industries find increased competition from Chinese producers using cheap domestic steel.124

### \*\*Impact – a2 Modernization

China will invest growth in domestic infrastructure to ensure CCP survival – no chance of rapid modernization that threatens the US

Piers Brendon, **10** – Fellow of Churchill College @ Cambridge University, “For China, Will Money Bring Power?” NYT, <http://www.nytimes.com/2010/08/22/opinion/22brendon.html?_r=1&pagewanted=2>

Whatever the truth, informed opinion is now divided about Chinese intentions. Some pundits maintain that the fundamental assumption of China’s leaders is that conflict is part of the human condition, the only way of resolving differences in a perilous world. A recent comprehensive survey of Chinese authors revealed that most anticipate a repeat of the “warring states era in Chinese history.” Is not hostility toward “foreign barbarians” China’s default state? There are, at any rate, obvious signs that the awakened dragon is flexing its muscles. China’s defense budget rose to be the second highest in the world in 2008, and its naval (particularly submarine) buildup has, in the opinion of the American journalist Robert D. Kaplan, caused “the loss of the Pacific Ocean as an American lake.” In search of markets and natural resources, China is expanding its influence aggressively in Asia, the Middle East, Africa and South America. On the other hand, China’s 6.6 percent share of global expenditure on arms is dwarfed by America’s 46.5 percent. And, like the United States during and after the reconstruction era, modern China is preoccupied by the problems associated with rapid growth: pollution, corruption, rural poverty, urban overcrowding and troubled labor relations. Above all, its leaders have to keep the lid on the simmering political and ethnic cauldron, while at the same time preventing the economic bubble from bursting — as Japan’s did. China may well keep its promise, for the moment at least, to follow the path of peaceful development. We can’t know, of course. But doom-merchants predicting that China will topple America from its pre-eminence should recognize that history is not necessarily on their side.

Chinese economic growth is inevitable and tension is occurring now – power isn’t zero-sum, there’s no chance of armed conflict and Chinese resiliency buoys the global market

Zakaria, Ferguson, et al, **10**. Zakaria = Famous intellectural/Host. Niall Ferguson = Harvard University Business School Prof. Minxin Pei = Claremont McKenna Gov Prof. Zachary Karabell = author of "Superfusion: How China and America Became One Economy and Why World Prosperity Depends Upon It," and Nina Hachigian = Senior Fellow at the Center for American Progress. “Controversy Near Ground Zero; Peril in Pakistan,” GPS, CNN, Lexis.

So tell me, you have written a lot about Jim O'Neill, the Goldman Sachs guy, who first predicted that China was going to overtake the United States, and he set a date about five years ago. And then last year, he revised the figures, and I think he brought it forward. He said China's growing so fast it's going to happen sooner than we think. Is it happening sooner than we might have thought? And do you think that China will overtake the United States? NIALL FERGUSON, HARVARD UNIVERSITY: Yes and yes. Jim O'Neill produced the BRICs, the famous BRICs report actually nearly 10 years ago now, and said China would overtake the United States in 2040. And then subsequently, but before the crisis, he revised the date forward to 2027, even before your 2030. That was before the crisis. Now, the really interesting thing, of course, is that the crisis since 2007 has really slowed down the United States. But against the expectations of most observers, it hasn't slowed down China in anything like as big a way. In fact, the Chinese have bounced back more strongly than any economy in the world. So I'm just waiting for Jim and his team at Goldman Sachs to bring the date even further forward. ZAKARIA: And why do you think this is happening? I mean, part of it is, as you said, the unexpected slowdown of the U.S. economy. But even before that, as you said, China was -- everyone had thought a big economy can't keep growing at 10 percent a year. And people said that when China had grown that way for two decades, and they said that when it had grown for 25 years, and now it's grown at 10 percent a year for 30 years. FERGUSON: And it's got a manufacturing growth rate right now in the range of 14 percent year-on-year. I mean, we've seen this kind of economic miracle happen before. In the post-war period, Japan, west Germany were growing at those sorts of rates. And the thing to remember is that China's really quite special in the sense that it has a strange hybrid model. At its core, it's still a planned economy, A bunch of technocrats in Beijing who decide how many light railways and bridges there are going to be. But outside there's now wrapped in an extremely dynamic market economy and that combination is proving to be the most dynamic in the world I and you think it will continue to be that. ZAKARIA: Zach Karabell, why is this kind of central planned capitalism, as exactly I think as Niall describes, where some elements are very centrally planned. You look at urban policy in China, and they literally have cleared out 650 acres in the middle of Shanghai and are now creating a new industrial economic center there. And yet there are parts of it that are free market. Why is it working? ZACHARY KARABELL, AUTHOR: Well, I mean, first of all, you just have to look at the contrast between the United States and its ability to deploy capital with urgency and the Chinese government. So in the United States, the Obama Administration recently announced that $180 million was going to be given to help innovate small entrepreneurs for green business. And that took 18 months of grant applications and due diligence and conflict of interest. The Chinese government, however, can say, "Look, we recognize there's an urgency about high-speed rail and that we need to address the potential of a non-automobile future because it's -- we can't handle the pollution of 1.4 billion people having two cars each." So they say, "We're going to spend several hundred billion dollars over the next ten years to build high-speed rail." And the minute the central government decides to spend money, money simply gets spent. And that is in a world of moving quickly certainly an incredible advantage to some place that says, "We're going to spend money, and we're going to spend money now and we're going to do it this way. And we don't have the messiness of a process that can get sclerotic and problematic," that we do in the United States. ZAKARIA: Minxin Pei, most dictatorships, the traditional rap on them was they misallocate resources. In other words, they take the money, and they spend it firstly -- put it in their Swiss banks, spend it on their brother's car factory. Why do the Chinese spend it on high-speed rail and improving infrastructure? MINXIN PEI, PROFESSOR, CLAREMONT MCKENNA COLLEGE: Well, first of all, they believe that it is some kind of manifestation of their effectiveness, that is the basis of legitimacy. This is a government that's based on competence. If it does not have evidence to show that it's competent, it does not have claim to power. But China is probably at the frontier of building high-end infrastructure. If you want to get something built that takes money, technological expertise, China can do probably better than many other countries. But when you look at how a country is governed economically, then you have to look at the whole picture. And in many areas China is not doing very well. In terms of human capital investment, education, health care, food safety, environmental protection China lags way behind the capitalist, democratic west. ZAKARIA: Nina? NINA HACHIGIAN, SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS: You know, the other thing to remember is that China's at a much earlier stage of development. So that's one major reason for their double- digit growth. They're just at a much earlier stage. And just a couple things to keep in mind, which is that they are number two, but they are a very distant number two to the United States. Our economy is still three times the size of theirs. They still have 150 million people's living on less than a dollar a day per capita. They're a tenth of what our per capita income is. So -- the other thing to keep in mind in this discussion is it's not really a race where there's only one winner to see who's going to be the biggest economy. We are in very many important ways extremely interdependent. Our economies are. But even on issues like global warming or on nuclear proliferation, we are very tied together. ZAKARIA: Do you buy that, Niall? I mean, because China is a thoroughly modern country. This is not a post-modern economy like Europe, a European economy where they want to pool sovereignty, they want to merge their authority within larger institutional structures. The Chinese are -- one of the things that's happening is as a result of Chinese economic power is Chinese political power, and China's desire to have a greater say on issues of intellectual property, trade. So, you know, as China rises economically is it going to be easy to accommodate China into this world? FERGUSON: I don't think so. President Obama said, I think, last November in Tokyo, power isn't a zero sum game. The rise of China doesn't imply some kind of relative decline on the part of the United States. Which to me, as a historian, sounded quite surprising because by and large the rise of one great power economically translates into relative decline for the incumbent. And the United States is now pretty much in the position that Britain was in 100 years ago. Then, it was Germany that was gaining rapidly on the United Kingdom. Today, it's China that's gaining rapidly on the United States. And however one understands the economics, the geopolitics I think are going to get harder and harder to manage because up until this point, really going right back to the early '70s, it's been a symbiotic relationship. It's been mutually beneficial. And China's been content to be the junior partner. But I've been traveling the world this summer, and from Australia to Africa, I encounter a new assertive China that no longer wants to be the junior partner, second fiddle to the United States. ZAKARIA: So you called it "Chimerica," which was China and America that had gotten together. And in your most recent writings you say, you know what? There's been a divorce. But you say China and America are still married. KARABELL: And I think, you know, we just finished -- and this is a very kind of Wall Street inside baseball thing -- we just finished earnings season for the largest -- for the S&P 500 companies. And earnings were much stronger than the U.S. economy would suggest they would be. And a lot of people said, well, this has a lot to do with efficiencies. But if you really look at what the driver is of a lot of this profitability, it's almost directly connected to business in China. So Procter & Gamble is profitable because its China franchise is growing 15 percent. That helps it maintain jobs and businesses in Ohio. And again, I'm not trying to put a gloss on this that everything is rosy and beautiful. It's simply that this crisis has actually made the United States, yes, more dependent on China, but China remains highly dependent on the interactivity of capital and businesses in fueling this incredible story. It's not alone in its growth. FERGUSON: But there's a macroeconomic imbalance here. Yes, it's certainly true that a lot of S&P 500 companies are doing very well because their business in China is doing well, not because their U.S. business is doing well. But then you just look at the imbalances that we said prior to the crisis were going to cause trouble, which we blame the crisis on. These imbalances are back. I mean, the Chinese trade surplus is soaring. That brief period when it disappeared early this year is in the past. And of course the United States is not really seeing significant export growth. China's exports have bounced back in the most remarkable way. Its economy is now 20 percent above where it was before the crisis began. And that's why this marriage is on the rocks between China and America, because the benefits now seem disproportionately to flow to China. And I don't think it's any longer a stable partnership. They're not divorced yet. Let's not get ahead of ourselves. But this is a marriage on the rocks, I think. ZAKARIA: Counseling. FERGUSON: I think it may be beyond counseling. Lawyers is what they need. HACHIGIAN: I mean, this is, no doubt, a tense relationship. It's maybe a common law marriage where neither of us, you know, had the intention of getting married, but here we are 30 years later, you know, in bed together. And it will be increasingly tense, I agree with you. But I also don't think this is the world of 100 years ago where we have to worry about China's military threat to us. I don't think that's it. We now have these global factors that impact both of us. The global financial crisis saw the U.S. and China together enacting large stimulus packages to prevent the whole economy from falling off a cliff. We also work together on terrorism. We work together on food security. We've worked together on North Korea, although not that well lately. And there are these huge imbalances, and yet global warming. If we and China don't work together, we're all sunk.

### Impact XT – Japan

**China’s economy is vital to Japan’s economy**

**Zhao 10** - Chief Global Strategist and Managing Editor for Global Investment Strategy,

BCA Research Group (Chen, “If the Chinese Bubble Bursts…”, The International Economy, Fall 2010, www.international-economy.com/TIE\_F10\_ChinaBubbleSymp.pdf)

A bursting China bubble would also be felt acutely in commodity prices. The commodity story has been built around the China story. Naturally, a bursting China bub- ble would deal a devastating blow to the commodities markets as well as commodity producers such as Latin America, Australia, and Canada, among others. Asia as a whole, and Japan in particular, would also be acutely affected by a “growth recession” in China. The economic integration between China and the rest of Asia is well-documented, but it is important to note that there has been virtually no domestic spending in Japan in recent years and the country’s economic growth has been leveraged almost entirely on exports to China. A bursting China bubble could seriously impair Japan’s economic and asset market performance. Finally, a bursting China bubble would be a mas- sive deflationary shock to the world economy. With China in growth recession, global saving excesses could surge and world aggregate demand would be vastly defi- cient. Bond yields could move to new lows and stocks

### Impact XT – US-China War

**China economic decline causes US-Sino war**

**Lewis 7** - Research Director of the Economic Research Council (Dan, “The nightmare of a Chinese economic collapse”, April 24, 2007, http://www.worldfinance.com/news/137/ARTICLE/1144/2007-04-19.html)

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

### Impact XT – US econ

**China econ key to world econ – empirics**

**Bhandari 10** - Head of Emerging Markets Analysis, Lombard Street Research (Maya, “If the Chinese Bubble Bursts…”, The International Economy, Fall 2010, www.international-economy.com/TIE\_F10\_ChinaBubbleSymp.pdf)

The latest financial crisis proved the central role of China in driving global economic outcomes. China is the chief overseas surplus country corresponding to the U.S. deficit, and it was excess ex ante Chinese savings which prompted ex post U.S. dissaving. The massive ensuing build-up of debt triggered a Great Recession almost as bad as the Great Depression. This causal direction, from excess saving to excess spending, is confirmed by low global real interest rates through much of the Goldilocks period. Had over-borrowing been the cause rather than effect, then real interest rates would have been bid up to attract the required capital. A prospective hard landing in China might thus be expected to have serious global implications. The Chinese economy did slow sharply over the last eighteen months, but only briefly, as large-scale behind-the-scenes stimulus meant that it quickly returned to overheating. Given its 9–10 percent “trend” growth rate, and 30 per- cent import ratio, China is nearly twice as powerful a global growth locomotive as the United States, based on its implied import gain. So while the surrounding export hubs, whose growth prospects are a “second derivative” of what transpires in China, would suffer most directly from Chinese slowing, the knock to global growth would be significant. Voracious Chinese demand has also been a crucial driver of global commodity prices, particularly metals and oil, so they too may face a hard landing if Chinese demand dries up.

# \*\*\*AIRLINE TRADEOFF DISAD\*\*\*

## \_\_\_\*\*Shell/1nc ! Modules

### Note on Construction\*\*

I assembled this in a mix-and-match fashion.

This DA is potentially useful against any aff that displaces airlines/provides new transport. It is strongest/was originally designed for use versus the high-speed rail aff, which is why there is a separate HSR link highlighted at the top.

There are two different impact routes – air power and hegemony. Although the two interrelate, air power won’t lock you into a heg good/heg bad debate in the same way that the broader heg impact does. For that reason those two modules are also separated.

### Air 1nc (Top)

**U.S. airlines are surviving current volatility but the margin is razor thin**

**Center for Aviation, 6-8**-12 – IATA: Airlines industry net margins remain 'razor thin', http://www.centreforaviation.com/news/iata-airlines-industry-net-margins-remain-razor-thin-158947

IATA director general and CEO Tony Tyler announced (07-Jun-2012) the association will revise its airline industry earnings outlook next week, taking into consideration the volatility over recent months. Mr Tyler said oil prices are still high, although moderating somewhat from recent peaks and that the European sovereign debt crisis is unresolved and we are seeing signs that it is starting to affect Asia’s export-driven economies. Passenger demand is "strong", cargo is "weak" and the industry’s profitability "remains razor thin". In Mar-2012, IATA announced its industry outlook for a USD3.0 billion profit on USD633 billion in revenues for a net margin of 0.5%. [more - original PR]

**New investments are zero sum with other sectors – increases the risk of deficit reduction measures**

**Heymsfield 11** Former Staff Director of the House Committee on Transportation and Infrastructure (David, 22 February 2011, “Let the Games Begin,” National Journal, http://transportation.nationaljournal.com/2011/02/transforming-the-highway-trust.php)

Currently the Trust Fund covers most federal programs for highways, transit, motor carrier safety, and highway safety. The budget proposes adding a number of programs, most significantly Amtrak, high-speed rail, and an infrastructure fund. The proposal does not appear to contemplate anything approaching unlimited discretion for the Administration to allocate the fund’s revenues to different modes. Rather, the proposal appears to contemplate continuation of the current Trust Fund structure in which spending from the fund must be within the context of a specific program established by the fund such as the National Highway System program or the Urbanized Area Formula program for transit. Most of these programs are limited to one mode, and use formulas to determine how much of the funding goes to each State. Another feature of the current system is that the States are given some discretion to “flex” their formula funding from one program to another (including flexing some funds between highway and transit programs). In the existing structure there are only few programs in which the Administration has discretion to decide which mode will be funded. The budget proposes adding one new program in which there will be discretion to choose between modes, but it is only a small portion of the overall trust fund programs. Specifically, the Administration budget proposal contemplates giving the Administration discretion to decide which modes will be funded in a new Infrastructure Fund program. This program would be authorized at about $5 Billion a year in an overall program of more than $60 Billion. It is not clear whether the Administration will also propose that the States be given any discretion to “flex” rail funding to highways or transit, or to flex highway or transit funds to rail. Another major unknown is whether adding rail to the Trust Fund is likely to change the funding which rail, highway and transit would have received if the current system had been continued. Under the current system, overall funding for highways and transit is set at a level that falls within the revenues the Trust Fund will receive from the user fees supporting the fund. A number of factors go into the allocation of funds between highways and transit, including giving transit a “fair share” of total revenues, and having highways and transit grow at the same rate (or in today’s context, being reduced at the same rate). Under the existing system, rail is funded as part of a general transportation appropriation bill, based on general budget policies and the funding available for all transportation programs in the bill. Funding for rail is not tied to any particular revenue stream, or by the general relationship to funding for highways and transit. If rail is moved to the Trust Fund, its funding will be determined by the available revenues and decisions on how they should be allocated between highways, transit and rail. The effects of this change seem unpredictable until we know the level and composition of the fund’s revenues. Until recently the user fees supporting the fund have been adequate to cover growing highway and transit programs. This is no longer the case. The existing fees will not even cover existing programs, much less a new rail program. The Administration is opposed to increasing the current user fees. If the new revenues are not user fees and cannot be tied to any mode, we can expect major disputes on how the new revenues should be divided. It will be a **zero sum game** in which a dollar going to one mode will not be available for the other two. It’s anybody’s guess what the end result will be, and how it will compare to what would have occurred if rail was not moved to the Trust Fund. Finally, bringing new programs into the Trust Fund could leave the Fund more vulnerable to deficit reduction measures designed to cut Trust Fund spending below the revenues put into the fund. Since TEA-21 in 1998 the Trust Fund has been able to resist proposals to cut spending below revenues. Supporters of the fund have been able to argue convincingly that the fund’s revenues are contributed by users (mainly through the gasoline tax) and that the users are entitled to have the funds they contributed spent. Bringing rail into the fund will require new revenue sources for the fund, and as discussed these new funds are not likely to be user fees. If this occurs, the arguments for full spending of revenues will be weakened significantly.

**U.S. aero dominance is surviving the recession because of commercial airline growth – key rivals are watching**

State Journal, 6-22-12 – Aerospace Industry to Witness Growth Despite Recession: Lucintel Estimates Global Commercial Airliner and Regional Aircraft Market to Reach US $112 Billion In 2017, <http://www.statejournal.com/story/18855984/aerospace-industry-to-witness-growth-despite-recession-lucintel-estimates-global-commercial-airliner-and-regional-aircraft-market-to-reach-us-112>.

Despite economic difficulty, the aerospace industry is proliferating and the global commercial airliner and regional aircraft markets are expected to reach approximately US $112 billion in 2017 with a CAGR of 5.3% over the next five years. Increasing demand from emerging economies for new low-cost carriers, deregulation, and rising middle class are factors driving growth in markets such as Asia and the Middle East. Lucintel, a leading global management consulting and market research firm, has analyzed the Global Commercial Airliner and Regional Aircraft market and presents its findings in “Global Commercial Airliner and Regional Aircraft Industry 2012–2017: Trend, Profit, and Forecast Analysis.” The Global Commercial and Regional Aircraft industry consists of commercial airliners and regional aircraft manufacturers. Industry products are used by airlines (international, domestic, and regional) and governments around the world. The industry is highly consolidated in terms of suppliers and buyers. North America dominates this market, but Asia and the Middle East are expected to drive demand for the global aerospace industry in coming years. The aerospace industry is expecting increases in the demand of new fleets, especially in the narrow body aircraft segment. The industry is facing challenges with aircraft financing and fluctuating oil prices, but the increasing air traffic rates, emerging economies, and aging fleets are driving the industry. Technological changes due to environmental concerns are also forcing OEMs to improve fuel burn capability of aircraft and reduce noise level.

### HSR Link – 1nc

**HSR diverts over half of airlines’ market share – defer to empirics**

**De Rus, 9** – Professor of Applied Economics at the University of Las Palmas de Gran Canaria(Ginés, “THE ECONOMIC EFFECTS OF HIGH SPEED RAIL INVESTMENT”, Competitive Interaction between airports, airlines and High-speed rail, pg. 181-182 http://www.internationaltransportforum.org/Pub/pdf/09rt145.pdf)//RK

The construction of a new HSR line of a length within the range 400-600 km has a **significant impact** on air transport. Modal split changes dramatically in the affected corridor as the generalised cost of the railway is lower than the generalised cost of air transport. As the recently launched AVE Madrid-Barcelona illustrates, the introduction of HSR in a corridor 600 km long gives railways a role which was unforeseen with the average rail speeds of the recent past. The airlines carried 5 million passengers per year over the Madrid-Barcelona route, yet three months after the HSR services were introduced they were losing traffic at a rate of 1.2 million passenger trips per year (see Figure 1 and Table 1). This volume of traffic is **approximately 50% of the market**. What about other HSR lines? The intermodal effect of HSR is stronger for lines with a longer period of operation. The effect of the introduction of HSR in medium distance corridors, where conventional rail, car and air were the previous alternatives, is quite significant, as Table 2 and Figure 2 illustrate. The HSR market share is correlated with rail’s commercial speed and, with the exception of Madrid-Barcelona (recently launched), for those lines where the average rail speed is around 200 km, the market share of HSR is higher than 80%. The high market share of railways for these medium distances is an argument in favour of investing in HSR technology. If passengers freely and overwhelmingly choose to shift from air to rail it follows that they will be better off with the change. But if passengers decide to move from air to rail because their general costs of travel are lower in the new alternative (certainly, this is not the case for everyone, as air transport maintains some traffic), this is not a guarantee that society will benefit from the change, as can easily be shown. The direct benefits in the corridor where the HSR line is built come mainly from the deviation of traffic from the existing modes of transport, railways included. These benefits are accounted for in Cc and 1 0 0 v Q ( ) W W in equation (2), where time savings 1 0 ( ) W W should be interpreted as the average of the highest benefit obtained by the first user after the change, and zero, the value corresponding to the last user, who is indifferent to either alternative. The intermodal effects measured in the primary market consist of the cost savings in the conventional mode and the product of the value of time, the average time savings and the number of passengers shifting from the conventional mode to the new transport alternative. The interesting point here is that these average values hide useful information regarding user behaviour and the understanding of intermodal competition. Time savings can be disaggregated into access and egress, waiting and in-vehicle times. Each of these categories of time has a different value. Passengers usually give more value to savings coming from access, egress and waiting times than those coming from in-vehicle time; therefore, when users shift from road transport to HSR they save a substantial amount of in-vehicle time (three hours for a high-speed line 600 km long) but they invest access, waiting and egress time, partially offsetting the in-vehicle time savings. Moreover, as in-vehicle time generates less disutility than the other components, the final user benefits can even be negative. The opposite case occurs in the case of air transport, where time savings experienced through users shifting to HSR come from a reduction in access, waiting and egress times which hardly offsets the substantial increase in vehicle time. Even with a negative balance in terms of time savings, the user benefit can be somewhat positive when the different values of time are considered (we do not include the ticket price in this comparison). Looking at Table 3, it seems apparent that HSR is cheaper than air transport, at least if a non-restricted tourist fare is taken as the reference. Though the comparison is not straightforward, rail fares seem to be below the air alternative and, as section 2.2 shows, HSR average costs are quite above HSR prices; meanwhile, airlines operate in competitive markets and have to cover total producer costs. These facts deserve a closer examination because the direct benefits of deviated traffic from air transport are included through the term 1 0 0 v Q ( ) W W in equation (2), and the value in brackets could be very low where air transport provides a good service (let us remember that prices are transfers and do not count as social benefits). The conclusion is that the case for HSR investment can rarely be justified on the grounds of benefits provided by the deviation of traffic from air transport. It seems apparent that higher benefits could be harvested through deviating traffic from road transport but this is more difficult in the range of distances considered. The benefits of deviating traffic from road and air exceed the direct benefits discussed above, as other indirect benefits could be obtained in the other transport modes when their traffic volumes diminish with the project. Let us examine the conditions required for obtaining additional benefits in the secondary markets.

### Heg Mod – 1nc

**A collapsing aerospace sector takes down key sectors of US hegemony**

**Walker et al 2 – Chairman of the USAI**

Robert Walker, et al, Chair of the Commission on the Future of the United States Aerospace Industry Commissioners, 2002, “Final Report of the Commission on the Future of the United States Aerospace Industry Commissioners,” <http://www.trade.gov/td/aerospace/aerospacecommission/AeroCommissionFinalReport.pdf>

Defending our nation against its enemies is the first and fundamental commitment of the federal govern-ment.2 This translates into two broad missions—Defend America and Project Power—when and where needed. In order to defend America and project power, the nation needs the ability to move manpower, materiel, intelligence information and precision weaponry swiftly to any point around the globe, when needed. This has been, and will continue to be, a mainstay of our national security strategy. The events of September 11, 2001 dramatically demonstrated the extent of our national reliance on aerospace capabilities and related military contributions to homeland security. Combat air patrols swept the skies; satellites supported real-time communications for emergency responders, imagery for recovery, and intelligence on terrorist activities; and the security and protection of key government officials was enabled by timely air transport. As recent events in Afghanistan and Kosovo show, the power generated by our nation’s aerospace capa-bilities is an—and perhaps the—essential ingredient in force projection and expeditionary operations. In both places, at the outset of the crisis, satellites and reconnaissance aircraft, some unmanned, provided critical strategic and tactical intelligence to our national leadership. Space-borne intelligence, com-mand, control and communications assets permitted the rapid targeting of key enemy positions and facilities. Airlifters and tankers brought personnel, materiel, and aircraft to critical locations. And aerial bombardment, with precision weapons and cruise missiles, often aided by the Global Positioning System (GPS) and the Predator unmanned vehicle, destroyed enemy forces. Aircraft carriers and their aircraft also played key roles in both conflicts. Today’s military aerospace capabilities are indeed robust, but at significant risk. They rely on platforms and an industrial base—measured in both human capital and physical facilities—that are aging and increasingly inadequate. Consider just a few of the issues: • Much of our capability to defend America and project power depends on satellites. Assured reliable access to space is a critical enabler of this capability. As recently as 1998, the key to near- and mid-term space access was the Evolved Expendable Launch Vehicle (EELV), a development project of Boeing, Lockheed Martin and the U. S. Air Force. EELV drew primarily on commercial demand to close the business case for two new launchers, with the U.S. government essentially buying launches at the margin. In this model, each company partner made significant investments of corporate funds in vehicle development and infrastructure, reducing the overall need for government investment. Today, however, worldwide demand for commercial satellite launch has dropped essentially to nothing—and is not expected to rise for a decade or more—while the number of available launch platforms worldwide has proliferated. Today, therefore, the business case for EELV simply does not close, and reliance on the economics of a commercially-driven market is unsustainable. A new strategy for assured access to space must be found. • The U.S. needs unrestricted access to space for civil, commercial, and military applications. Our satellite systems will become increasingly important to military operations as today’s information revolution, the so-called “revolution in military affairs,” continues, while at the same time satellites will become increasingly vulnerable to attack as the century proceeds. To preserve critical satellite net-works, the nation will almost certainly need the capability to launch replacement satellites quickly after an attack. One of the key enablers for “launch on demand” is reusable space launch, and yet within the last year all work has been stopped on the X-33 and X-34 reusable launch programs • The challenge for the defense industrial base is to have the capability to build the base force structure, support contingency-related surges, provide production capacity that can increase faster than any new emerging global threat can build up its capacity, and provide an “appropriate” return to shareholders. But the motivation of government and industry are different. This is a prime detraction for wanting to form government-industry partnerships. Industry prioritizes investments toward near-term, high-return, and high-dollar programs that make for a sound business case for them. Government, on the other hand, wants to prioritize investment to ensure a continuing capability to meet any new threat to the nation. This need is cyclical and difficult for businesses to sustain during periods of government inactivity. Based on the cyclic nature of demand, the increasing cost/complexity of new systems, and the slow pace of defense modernization, aerospace companies are losing market advantages and the sector is contracting. Twenty-two years ago, today’s “Big 5” in aerospace were 75 separate companies, as depicted by the historical chart of industry consolidation shown in Chapter 7. • Tactical combat aircraft have been a key component of America’s air forces. Today, three tactical aircraft programs continue: the F/A-18E/F (in production), the F/A-22 (in a late stage of test and evaluation), and the F-35 Joint Strike Fighter (just moving into system design and development). Because of the recentness of these programs, there are robust design teams in existence. But all of the initial design work on all three programs will be completed by 2008. If the nation were to conclude, as it very well may, that a new manned tactical aircraft needs to be fielded in the middle of this century, where will we find the experienced design teams required to design and build it, if the design process is in fact gapped for 20 years or more? • More than half of the aerospace workforce is over the age of 404, and the average age of aerospace defense workers is over 50.5Inside the Department of Defense (DoD), a large percent of all scientists and engineers will be retirement eligible by 2005. Given these demographics, there will be an exodus of “corporate knowledge” in the next decade that will be difficult and costly to rebuild once it is lost. There will be a critical need for new engineers, but little new work to mature their practical skill over the next several decades. Further, enrollment in aerospace engineering programs has dropped by 47 percent in the past nine years6, and the interest and national skills in mathematics and science are down. Defense spending on cutting-edge work is at best stable, and commercial aircraft programs are struggling and laying workers off. As the DoD’s recent Space Research and Development (R&D) Industrial Base Study7 concluded, “[s]ustaining a talented workforce of sufficient size and experience remains a long-term issue and is likely to get worse.” In short, the nation needs a plan to attract, train and maintain a skilled, world-class aerospace workforce, but none currently exists. • The current U.S. research, development, test and evaluation (RDT&E) infrastructure has a legacy dating back to either World War II or the expansion during the Space Age in the 1960s. It is now suffering significantly from a lack of resources required for modernization. In some cases, our nation’s capabilities have atrophied and we have lost the lead, as with our outdated wind tunnels, where European facilities are now more modern and efficient. In the current climate, there is inadequate funding to modernize aging government infrastructure or build facilities that would support the development of new transformational capabilities, such as wind tunnels needed to design and test new hypersonic vehicles. The aerospace industry must have access to appropriate, modern facilities to develop, test and evaluate new systems. Throughout this dynamic and challenging environment, one message remains clear: a healthy U.S. aerospace industry is more than a hedge against an uncertain future. It is one of the primary national instruments through which DoD will develop and obtain the superior technologies and capabilities essential to the on-going transformation of the armed forces, thus maintaining our position as the world’s preeminent military power.

**The impact is global conflict**

**Khalilzad 11 – Former US ambassador, former Professor @ Columbia**

Zalmay Khalilzad, PhD, United States ambassador to Afghanistan, Iraq, and the United Nations during the presidency of George W. Bush and the director of policy planning at the Defense Department from 1990 to 1992 (2/8/11, National Review, “The Economy and National Security; If we don’t get our economic house in order, we risk a new era of multi-polarity,” <http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad>

We face this domestic challenge while other major powers are experiencing rapid economic growth. Even though countries such as China, India, and Brazil have profound political, social, demographic, and economic problems, their economies are growing faster than ours, and this could alter the global distribution of power. These trends could in the long term produce a multi-polar world. If U.S. policymakers fail to act and other powers continue to grow, it is not a question of whether but when a new international order will emerge. The **closing** of **the gap** between the United States and its rivals **could intensify geopolitical competition among major powers**, increase incentives for local powers to play major powers against one another, and undercut our will to preclude or respond to international crises because of the higher risk of escalation. The stakes are high. In modern history, **the longest period of peace** among the great powers **has been the era of U.S. leadership**. By contrast, multi-polar systems have been unstable, with their competitive dynamics resulting in frequent crises and major wars among the great powers. Failures of multi-polar international systems produced both world wars. American retrenchment could have devastating consequences. Without an American security blanket, regional powers could rearm in an attempt to balance against emerging threats. Under this scenario, **there would be** a heightened possibility of **arms races, miscalc**ulation, **or** **other crises spiraling** **into** **all-out conflict**. Alternatively, in seeking to accommodate the stronger powers, weaker powers may shift their geopolitical posture away from the United States. Either way, hostile states would be emboldened to make aggressive moves in their regions. As rival powers rise, Asia in particular is likely to emerge as a zone of great-power competition. Beijing's economic rise has enabled a dramatic military buildup focused on acquisitions of naval, cruise, and ballistic missiles, long-range stealth aircraft, and anti-satellite capabilities. China's strategic modernization is aimed, ultimately, at denying the United States access to the seas around China. Even as cooperative economic ties in the region have grown, China's expansive territorial claims -- and provocative statements and actions following crises in Korea and incidents at sea -- have roiled its relations with South Korea, Japan, India, and Southeast Asian states. Still, the United States is the most significant barrier facing Chinese hegemony and aggression.

### Air Power Mod – 1nc

**Aerospace decline spills over, collapsing U.S. air power**

Thompson 9 – President AIAA

David, President – American Institute of Aeronautics and Astronautics, “The Aerospace Workforce”, Federal News Service, 12-10, Lexis

Aerospace systems are of considerable importance to U.S. national security, economic prosperity, technological vitality, and global leadership. Aeronautical and space systems protect our citizens, armed forces, and allies abroad. They connect the farthest corners of the world with safe and efficient air transportation and satellite communications, and they monitor the Earth, explore the solar system, and study the wider universe. The U.S. aerospace sector also contributes in major ways to America's economic output and high- technology employment. Aerospace research and development and manufacturing companies generated approximately $240 billion in sales in 2008, or nearly 1.75 percent of our country's gross national product. They currently employ about 650,000 people throughout our country. U.S. government agencies and departments engaged in aerospace research and operations add another 125,000 employees to the sector's workforce, bringing the total to over 775,000 people. Included in this number are more than 200,000 engineers and scientists -- one of the largest concentrations of technical brainpower on Earth. However, the U.S. aerospace workforce is now facing the most serious demographic challenge in his 100-year history. Simply put, today, many more older, experienced professionals are retiring from or otherwise leaving our industrial and governmental aerospace workforce than early career professionals are entering it. This imbalance is expected to become even more severe over the next five years as the final members of the Apollo-era generation of engineers and scientists complete 40- or 45-year careers and transition to well-deserved retirements. In fact, around 50 percent of the current aerospace workforce will be eligible for retirement within just the next five years. Meanwhile, the supply of younger aerospace engineers and scientists entering the industry is woefully insufficient to replace the mounting wave of retirements and other departures that we see in the near future. In part, this is the result of broader technical career trends as engineering and science graduates from our country's universities continue a multi-decade decline, even as the demand for their knowledge and skills in aerospace and other industries keeps increasing. Today, only about 15 percent of U.S. students earn their first college degree in engineering or science, well behind the 40 or 50 percent levels seen in many European and Asian countries. Due to the dual-use nature of aerospace technology and the limited supply of visas available to highly-qualified non-U.S. citizens, our industry's ability to hire the best and brightest graduates from overseas is also severely constrained. As a result, unless effective action is taken to reverse current trends, the U.S. aerospace sector is expected to experience a dramatic decrease in its technical workforce over the next decade. Your second question concerns the implications of a cutback in human spaceflight programs. AIAA's view on this is as follows. While U.S. human spaceflight programs directly employ somewhat less than 10 percent of our country's aerospace workers, its influence on attracting and motivating tomorrow's aerospace professionals is much greater than its immediate employment contribution. For nearly 50 years the excitement and challenge of human spaceflight have been tremendously important factors in the decisions of generations of young people to prepare for and to pursue careers in the aerospace sector. This remains true today, as indicated by hundreds of testimonies AIAA members have recorded over the past two years, a few of which I'll show in brief video interviews at the end of my statement. Further evidence of the catalytic role of human space missions is found in a recent study conducted earlier this year by MIT which found that 40 percent of current aerospace engineering undergraduates cited human space programs as the main reason they chose this field of study. Therefore, I think it can be predicted with high confidence that a major cutback in U.S. human space programs would be substantially detrimental to the future of the aerospace workforce. Such a cutback would put even greater stress on an already weakened strategic sector of our domestic high-technology workforce. Your final question centers on other issues that should be considered as decisions are made on the funding and direction for NASA, particularly in the human spaceflight area. In conclusion, AIAA offers the following suggestions in this regard. Beyond the previously noted critical influence on the future supply of aerospace professionals, administration and congressional leaders should also consider the collateral damage to the space industrial base if human space programs were substantially curtailed. Due to low annual production rates and highly-specialized product requirements, the domestic supply chain for space systems is relatively fragile. Many second- and third-tier suppliers in particular operate at marginal volumes today, so even a small reduction in their business could force some critical suppliers to exit this sector. Human space programs represent around 20 percent of the $47 billion in total U.S. space and missile systems sales from 2008. Accordingly, a major cutback in human space spending could have large and highly adverse ripple effects throughout commercial, defense, and scientific space programs as well, potentially triggering a series of disruptive changes in the common industrial supply base that our entire space sector relies on**.**

**WMD conflict**

Tellis 98 – Political Scientist @ RAND

Ashley, Senior Political Scientist – RAND, “Sources of Conflict in the 21st Century”, http://www.rand. org/publications/MR/MR897/MR897.chap3.pdf

This subsection attempts to synthesize some of the key operational implications distilled from the analyses relating to the rise of Asia and the potential for conflict in each of its constituent regions. The first key implication derived from the analysis of trends in Asia suggests that **American air** and space **power will** continue to **remain critical for** conventional and unconventional **deterrence in Asia**. This argument is justified by the fact that several sub-regions of the continent still harbor the potential for full-scale conventional war. This potential is most conspicuously on the Korean peninsula and to a lesser degree, in South Asia, the Persian Gulf, and the South China Sea. In some of these areas such as Korea and the Persian Gulf, the United States has clear treaty obligations and therefore has pre-planned the use of air power should contingencies arise. U.S. Air Force assets could also be called upon for operations in some of these other areas. In almost all these cases, US airpower would be at the forefront of an American politico-military response because (a) of the vast distances on the Asian continent; (b) the diverse range of operational platforms available to the U.S. Air Force, a capability unmatched by any other country or service, (c) the possible unavailability of naval assets in close proximity, particularly in the context of surprise contingencies; and (d) the heavy payload that can be carried by U.S. Air Force platforms. These platforms can exploit speed, reach, and high operating tempos to sustain continual operations until the political objectives are secured. The entire range of warfighting capability—fighters, bombers, electronic warfare (EW), suppression of enemy air defense (SEAD), combat support platforms such as AWACS and J-STARS and tankers—are relevant in the Asia-Pacific region, because many of the regional contingencies will involve large, fairly modern, conventional forces, most of which are built around large land armies, as is the case in Korea, China-Taiwan, India-Pakistan and the Persian Gulf. In addition to conventional combat, the demands of unconventional deterrence will increasingly confront the U.S. Air Force in Asia. The Korean peninsula, China, and the Indian subcontinent are already arenas of WMD proliferation. While emergent **nuclear** capabilities continue to receive the most public attention, chemical and biological **warfare threats will** progressively **become** future **problems**. The delivery systems in the region are increasing in range and diversity. China already targets the continental United States with ballistic missiles. North Korea can threaten northeast Asia with existing Scud-class theater ballistic missiles. India will acquire the capability to produce ICBM-class delivery vehicles, and both China and India will acquire long-range cruise missiles during the time frames examined in this report.

## \*\*\*UQ/Link Stuff

### UQ Wall – 2nc

**The air industry is growing – several reasons –**

**a. Predictive UQ – Air industry will remain strong for the next 20 years.**

**Karp, 12­**- tribune reporter (George, March 8, “Air travel to nearly double in next 20 years, FAA says”, <http://articles.chicagotribune.com/2012-03-08/business/chi-air-travel-to-nearly-double-in-next-20-years-faa-says-20120308_1_air-travel-air-traffic-forecasts>).

The [airline](http://articles.chicagotribune.com/2012-03-08/business/chi-air-travel-to-nearly-double-in-next-20-years-faa-says-20120308_1_air-travel-air-traffic-forecasts) industry, which traditionally has run in boom-and-bust cycles, has a good chance to be profitable over the next 20 years as demand for air travel grows worldwide. And good news for passengers: airfares will rise relatively slowly over that time. That prediction comes from a Federal Aviation Administration report released Thursday on the state of U.S. airline industry, the FAA Aerospace Forecast Fiscal Years 2012-2032. pixel "Over the long term, we see a competitive and profitable industry characterized by increasing demand for [air travel](http://articles.chicagotribune.com/2012-03-08/business/chi-air-travel-to-nearly-double-in-next-20-years-faa-says-20120308_1_air-travel-air-traffic-forecasts) and airfares growing more slowly than inflation," the report says. "Going into the next decade, there is cautious optimism that the industry has been transformed from that of a boom-to-bust cycle to one of sustainable profits." The report predicts more demand for air travel despite rising oil [prices](http://articles.chicagotribune.com/2012-03-08/business/chi-air-travel-to-nearly-double-in-next-20-years-faa-says-20120308_1_air-travel-air-traffic-forecasts) and the current climate of economic uncertainty in the U.S and Europe. It forecasts that the industry will grow from 731 million passengers in 2011 to 1.2 billion in 2032. Air traffic growth for U.S. carriers is expected to rise by more than 90 percent during that time. It grew by 3.5 percent in 2011. "This year, more people will be flying more miles, and we expect that to continue in future years," FAA Acting Administrator Michael Huerta said in a statement. Overall, however, the forecast is more dour on the near-term prospects. For example, it forecasts that annual global air traffic will reach 1 billion passengers in 2024, three years later than last year's projection. "Growth over the next five years will be moderate, with a return to historic levels of growth only attainable in the long term," the report says. Planes will remain crowded in the near term too, according to the forecast. Domestic mainline carriers are expected to reduce capacity – or the number of available seats – by 0.8 percent in 2012. The FAA concedes forecasting is difficult, especially during such volatile times. "Due to the large uncertainty of the operating [environment](http://articles.chicagotribune.com/2012-03-08/business/chi-air-travel-to-nearly-double-in-next-20-years-faa-says-20120308_1_air-travel-air-traffic-forecasts), the variance around the forecasts is wider than it was in prior years," the report said.

**b. Capacity changes – solves oil**

**Oberai 6/25/12**- columnist for first post, (Sanjit, “Aviation losses increase in 2012; profitability key to survival”, <http://www.firstpost.com/investing/aviation-losses-increase-in-2012-profitability-key-to-surival-356264.html>).

The domestic airline industry’s fortunes seem to be changing for the better as the yields have increased due to a reduction in capacity. With Kingfisher’s capacity reducing, the airline industry’s capacity has shrunk leaving passengers with less fare buckets. This has had a positive impact on the sector as even if demand remains same, the passengers have to find seats from the existing airline carriers at a higher bucket levels. “And that has helped increase yields. So fares have gone up vis-a-vis last year” [said](http://www.thehindubusinessline.com/industry-and-economy/logistics/article3566191.ece?ref=wl_industry-and-economy" \t "_blank) Sudheer Raghavan, Chief Commercial Officer, Jet Airways to Business Line. Another boost to the airline sector is that crude oil prices have fallen to their 18-month lows. However, the industry is in dire need for funds to sustain. But banks are reluctant to fund the sector. “There is no appetite among the banks to lend money. So at the end of the day the only route to survival is through profitability. This realisation, though late, has dawned on most carriers”, [said](http://www.thehindubusinessline.com/industry-and-economy/logistics/article3566191.ece?ref=wl_industry-and-economy" \t "_blank) Sudheer Raghavan, Chief Commercial Office, Jet Airways. While profitability is one aspect, what is also important is for the government to go in for policy reforms. The Cabinet was supposed to take up this issue by May end. However, nothing has happened so far. According to a report on the aviation sector by ICICI Direct,”Only allowing Foreign Direct Investment (FDI) by foreign carriers (if allowed) by itself would not help much to cure the ills of the sector over the medium term unless the sector fundamentals are set right first through policy changes with respect to taxes on ATF, free pricing”. The domestic airline industry has had one of its worst times this financial year ended March 2012. According to data compiled by *Firstpost*, combined losses of the three listed companies increased to Rs 4,170 crore in 2011-12 from Rs 917 crore the previous year. While Kingfisher continued to account for the bulk of the losses (56 percent), Jet Airways and SpiceJet also slipped into the red after incurring a profit last year. While profitability is one aspect, what is also important is for the government to go in for policy reforms.

**c. Profits – still riding high from 2011**

**Levin 12**- writer for USA Today, (Aalan, Feb, 15, “FAA predicts steady growth for airline industry”, <http://travel.usatoday.com/flights/story/2011/02/FAA-predicts-steady-growth-for-airline-industry/43752062/1>).

WASHINGTON – The embattled airline industry will see solid long-term growth over the next 20 years with yearly passenger totals climbing from 713 million to nearly 1.3 billion, the government predicted today. That growth will add huge new pressures on the aviation system, requiring technological improvements to ensure that it can handle the additional traffic, said Transportation Secretary [Ray LaHood](http://content.usatoday.com/topics/topic/People/Politicians,+Government+Officials,+Strategists/Executive/Ray+LaHood). "We need to invest in aviation today to make sure America's economy remains competitive," LaHood said. The annual [Federal Aviation Administration](http://content.usatoday.com/topics/topic/Organizations/Government+Bodies/Federal+Aviation+Administration) aviation forecast projects small increases in airline flights and passengers this year compared to 2010. Overall, the amount of flights will decrease slightly this year due to continuing decreases in private aircraft flights, the [FAA](http://content.usatoday.com/topics/topic/Organizations/Government+Bodies/Federal+Aviation+Administration)says. After a decade in which the airlines lost a collective $60 billion, the FAA says the industry turned a profit last year of $9.5 billion as the U.S. economy rebounded from recession and airfares rose. Domestic airline passengers are expected to increase by 3% this year over last and then climb by an average of 2.5% annually for the remainder of the next 20 years. International traffic is forecast to surge this year by 7.8% and continue growing by 4.3%, the FAA says. Some airline industry experts see the government's forecast as overly rosy, given the past decade of massive upheaval in the industry.

**d. Current trends – they aren’t enough to doom it, despite challenges**

**Aviation News 12**- up to date aviation news site( March 20, “FAA forecast projects slow, steady growth through 2032”, <http://planegrazy.com/2012/03/faa-forecast-projects-slow-steady-growth-through-2032/>).

Last Thursday the FAA released the FY 2012-2013 Aerospace Forecasts report, which highlights increasing passenger demand over the next decade, projecting that airline travel will double in the next twenty years. This may come as a surprising prediction, given the current state of the air carrier industry. As the report notes, the aviation industry “has suffered several major shocks that have led to reduced demand for air travel. These shocks include the terror attacks of September 11, skyrocketing prices for fuel, debt restructuring in Europe and the United States, and a global recession.” In response to these economic and political factors, airlines have taken measures to minimize financial losses, such as offering new services, updating fee schedules for luggage, and what the report calls “capacity discipline,” which refers to an airline’s consistent optimization of cabin space. Though near term growth will be stunted by “the uncertainty that surrounds the U.S. and European economies,” the forecast projects that long term will be steady and will eventually restore the industry to its prior sustainable profitability. In fact, the report “calls for one billion passengers in 2024,” a date three years later than earlier projections, but still an optimistic and positive growth trajectory.

### UQ – a2 Oil Prices

**Oil prices are dropping this summer.**

**Press release 6/25**/12 (“Bleak economic outlook pushes oil and gas lower”, <http://www.cedartownstd.com/pages/full_story/push?article-Bleak+economic+outlook+pushes+oil+and+gas+lower%20&id=19098380>).   
Oil prices dropped below $80 last week for the first time in almost 10 months after reports forecasted a continued bleak economic outlook. The U.S. Energy Department forecast oil demand in the U.S. and Europe will fall for the second year in a row after the first half of 2012 reflected slower growth than initially expected. Oil stockpiles are at their highest level in 22 years and increased by 2.9 million barrels last week to 387 million barrels. Manufacturing numbers continue to slide in the U.S., China, and Europe—the world's largest oil consuming countries—and job growth remains minimal. Although global leaders are working to put together an economic stimulus plan, the process is expected to take time and is not likely to cause an immediate spike in fuel costs. A barrel of oil closed Friday at $79.76 on the New York Mercantile Exchange—$4.27 less than the week prior. "At this point, retail gasoline prices are forecast to continue their decline into the heart of the summer travel season," said Jessica Brady, AAA spokeswoman, The Auto Club Group. "Even if economic stimulus measures are put into place, it's going to take time for a recovery and demand numbers to rebound. While it's not good news that has caused oil and gas prices to fall, it does provide relief to motorists who expected to pay $4 or more for a gallon of gas this summer." The national average price of regular unleaded gasoline is $3.42, 8 cents less than last week. Georgia’s average of $3.21 decreased 5 cents from last week, Florida’s average of $3.26 fell 6 cents, and Tennessee’s average price of $3.10 dropped 7 cents from last week, respectively. Visit AAA’s Daily Fuel Gauge Report to find national, state, and local metro market retail gasoline prices.

**Oil prices down- OPEC’s prices and Saudi econ dropped.**

**Bloomberg 6/23/12**- Bloomberg news by Glen Carey, (“Saudi Shares Drop On Oil Price Decline, Fed Economic Forecast”, <http://www.bloomberg.com/news/2012-06-23/saudi-shares-drop-on-oil-price-decline-fed-economic-forecast.html>).

Shares in Saudi Arabia, the only Gulf Arab stock market open on Saturdays, fell the most in more than a week as oil prices declined and after the U.S. Federal Reserve cut its economic forecast. [Saudi Basic Industries Corp. (SABIC)](http://www.bloomberg.com/quote/SABIC:AB), the world’s largest petrochemicals maker known as Sabic, dropped for the first time in four days. [Saudi Kayan Petrochemical Co. (KAYAN)](http://www.bloomberg.com/quote/KAYAN:AB) fell the most since June 12. [Al-Rajhi Bank (RJHI)](http://www.bloomberg.com/quote/RJHI:AB), the biggest by market value, lost the most in a week. The [Tadawul All Share Index (SASEIDX)](http://www.bloomberg.com/quote/SASEIDX:IND) retreated 0.9 percent 6,774.26 in Riyadh at the close. Stocks “are clearly responding to downward pressure in oil,” [Jarmo Kotilaine](http://topics.bloomberg.com/jarmo-kotilaine/), chief economist at Jeddah-based National Commercial Bank, said in a phone interview. “The oil price is something that fuels the fiscal engine and the broader economic mood.” Saudi Arabia, the biggest Arab economy that depends on oil exports to support government spending, is the largest producer in the Organization of Petroleum Exporting Countries. OPEC’s basket of crudes dropped on June 22 below $90 a barrel for the first time in more than 17 months. Fed officials lowered their forecasts for U.S. economic growth and raised their predictions for unemployment in each of the next three years. Policy makers now see 1.9 percent to 2.4 percent growth in 2012, down from their April forecast of 2.4 percent to 2.9 percent. The Saudi market is “slightly down because of the reduced growth rates in the U.S.,” Turki Fadaak, head of research at Albilad Investment Co. in [Riyadh](http://topics.bloomberg.com/riyadh/), said today. Sabic declined 0.5 percent to 91.5 riyals, the lowest close since June 18, while Saudi Kayan fell 1 percent to 15.1 riyals. Al-Rajhi dropped 1 percent to 73.5 riyals.

### General L Wall – 2nc

**The plan trades off with other programs**

**Amekudzi et al 1** – PH.D. Transportation Systems (Infrastructure) School of Civil & Envir. Engineering Georgia Institute of Technology (Adjo, “ Application of Shortfall Analysis and Markowitzí Theory in Investment Tradeoff Analysis for Competing Infrastructure: Using HERS and NBIAS for Integrated Asset Management”, 5th International Conference on Managing Pavements, <http://www.pavementmanagement.org/ICMPfiles/2001087.pdf)//RK>

In asset management, we are concerned with at least four different levels of tradeoffanalysis. Three of these are used when we independently manage different types of infrastructure, for which we are concerned with analyzing tradeoffs to answer the following questions (2): 1) In what facilities must we invest? 2) When must we invest in these facilities? 3) In what types of improvement actions must we invest? When we attempt to provide integrated management for non-homogeneous facilities, we are concerned with another important question: What **relative levels of investment** should we make in each of the co**mpeting facilities** (point and network)? For integrated asset management, this additional information is necessary to increase (or attempt to maximize) the overall value of our collective assets, in the context of constrained budgets. To be more effective therefore, an integrated asset management system must provide guidance on **appropriate levels of investments for competing infrastructure facilities**, for the purpose of maintaining, increasing or maximizing the collective value of these assets over time.

**Public policy determines the winners and losers**

**Slack et al 9** Professor Emeritus in the Department of Geography at Concordia University (Dr. Brian, 2009, Second edition of the textbook “The Geography of Transport Systems,” Chapter 3, Hofstra University, http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/ch3c1en.html)

It is generally advocated that a form of modal equality (or modal neutrality) should be part of public policy where each mode would compete based upon its inherent characteristics. Since different transport modes are under different jurisdiction and funding mechanisms, modal equality is conceptually impossible as some modes will always be more advantageous than others. Modal competition is influenced by public policy where one mode could be advantaged over the others. This particularly takes place over government funding of infrastructure and regulation issues. For instance, in the United States the Federal Government would finance 80% of the costs of a highway project, leaving the state government to supply the remaining 20%. For public transit, this share is 50%, while for passenger rail the Federal Government will not provide any funding. Under such circumstances, public policy shapes modal preferences.

**Double-bind – the aff either trades off with other transport modes or fails**

**Slack et al 9** Professor Emeritus in the Department of Geography at Concordia University (Dr. Brian, 2009, Second edition of the textbook “The Geography of Transport Systems,” Chapter 3, Hofstra University, http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/ch3c1en.html)

The technological evolution in the transport industry aims at adapting the transport infrastructures to growing needs and requirements. When a transport mode becomes more advantageous than another over the same route or market, a modal shift is likely to take place. A modal shift involves the growth in the demand of a transport mode at the expense of another, although a modal shift can involve an absolute growth in both of the concerned modes. The comparative advantages behind a modal shift can be in terms of costs, convenience, speed or reliability. For passengers, this involved a transition in modal preferences as incomes went up, such as from collective to individual modes of transportation. For freight, this has implied a shift to faster and more flexible modes when possible and cost effective, namely trucking and air freight. There are important geographical variations in modal competition. The availability of transport infrastructures and networks varies enormously. Some regions possess many different modes that in combination provide a range of transport services that ensure an efficient commercial environment. Thus, in contrast to the situation in the EU, rail transport occupies a more important market share in North America. In many parts of the world, however, there are only limited services, and some important modes may be absent altogether. This limits the choices for people and shippers, and acts to limit accessibility. People and freight are forced to use the only available modes that may not be the most economic for the nature of the demand. Goods may not be able to find a market, and people’s mobility may be impaired. For these reasons, transport provision is seen as a major factor in economic development. Areas with limited modal choices tend to be among the least developed. The developed world, on the other hand possesses a wide range of modes that can provide services to meet the needs of society and the economy. Since 2000 the price of fuel has increased significantly as well as its volatility. All modes are affected, from the individual car owner to the corporation operating a fleet of hundreds of aircraft or ships. The higher costs are being passed on to the customer, either directly, as is the case of shipping where freight rates are climbing, or indirectly as is the case of airlines, where passengers are being charged additional fuel surcharges. These cost increases are likely to have significant impacts on mobility and trade, as well as on the modal split: Higher transport costs increase the friction of distance and constrain mobility. As a major consumer of petroleum the transport industry has to increase rates. Across the board increases causes people to rethink their patterns of movement and companies to adjust their supply and distribution chains. One of the expected effects of these cost increases is a decline in freight shipments and passenger carriers, such as airlines are anticipating a reduction in trips. Even school districts are anticipating reducing the number of busses and making children walk further to school. Because the impact of higher fuel costs hits the modes differentially, a modal shift is anticipated. Road and air transport are more fuel intensive than the other modes, and so fuel price increases are likely to impact upon them more severely than other modes. This could lead to a shift towards water and rail transport in particular. A further impact of fuel price increases is greater fuel economy across the modes. One of the best ways for all modes to reduce consumption is to lower speeds. A future of high energy prices is likely to have a major impact on just-in-time deliveries, and lead to a restructuring of supply chains.

**There is a multiplier effect**

**Slack et al 9** Professor Emeritus in the Department of Geography at Concordia University (Dr. Brian, 2009, Second edition of the textbook “The Geography of Transport Systems,” Chapter 3, Hofstra University, http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/ch3c1en.html)

Higher transport costs increase the friction of distance and constrain mobility. As a major consumer of petroleum the transport industry has to increase rates. Across the board increases causes people to rethink their patterns of movement and companies to adjust their supply and distribution chains. One of the expected effects of these cost increases is a decline in freight shipments and passenger carriers, such as airlines are anticipating a reduction in trips. Even school districts are anticipating reducing the number of busses and making children walk further to school.

### 2nc – High Speed Rail

**High speed rail trades off with aviation- studies prove**

**Roole 5/8** Searle Freedom Trust Transportation Fellow and Director of Transportation Policy

Reason Foundation (Robert, 8 May 2012, “Airport Policy and Security Newsletter #79,” Reason Foundation, http://reason.org/news/show/airport-policy-and-security-news-79#d)

International research has generally found that high-speed rail obtains the largest share of its net new (i.e., not previously slower-speed rail) passengers from airlines, not automobiles. And the corridors where HSR competes best are from 200 to 500 miles in length. My colleagues at Reason Foundation have been critical of most U.S. HSR proposals, and one of those that was vetoed by a state governor was the $2.5 billion project for the 80-mile route between Orlando and Tampa, a route so short there is no scheduled air service on it. With these points in mind, I was intrigued by the list of the top 100 U.S. airline O&D City-Pairs, compiled by Oliver Wyman PlaneStats.com and published in Aviation Daily’s Jan. 5, 2012 issue. The figures are for the first half of 2011. I have extracted the figures for all routes shorter than 500 miles (except for inter-island routes in Hawaii). Several things jumped out at me from these figures. First, you will note that the Washington, DC to New York route, where Amtrak operates its most successful service by far, ranks only 65th in air passenger volume, thanks to the competition from rail. At the other end of the scale, the number one short-haul airline market is Los Angeles-San Francisco, with more than seven times the airline passengers as DC-NY. That route is the big enchilada in the very troubled California HSR plan, whose completely unrealistic business plan calls for it to get the lion’s share of its passengers from people who now make that trip by car! Then again, with airfares averaging only $98 in that market, and frequent non-stop service from four greater-LA airports to three Bay Area airports, it’s hard to imagine trains departing from downtown LA (only) going single file to downtown SF (most of them making a number of stops) being at all door-to-door time-competitive with convenient air service. Moreover, all the air routes are pretty much straight lines, whereas the HSR (if it’s ever built) is planned for a dog-leg route, and even so will require tens of billions of dollars in bridges and tunnels to get across the mountains separating the Central Valley from the LA Basin. Looking at the highest yields in the table suggests that Amtrak is missing out on larger market share in the Boston-NY market, whose airline yield is even higher than that of NY-DC. Dallas-Houston and LA-Las Vegas are also higher-yield routes where HSR might have a chance competing on price with airline service.

**There is a modal shift when high speed rails become available**

**Turner 9** Chair of the Committee on Climate Change and Chair of the Financial Services Authority (Lord Adalr, December 2009, “Meeting the UK aviation target- options for reducing emissions to 2050,” Committee on Climate Change, http://downloads.theccc.org.uk/Aviation%20Report%2009/21667B%20CCC%20Aviation%20AW%20COMP%20v8.pdf)

The choice of travel mode between air and rail is a function of relative cost, including travel time and convenience. Other things being equal (i.e. prices, service quality), passengers will choose the mode which minimises travel time. We have reviewed the evidence on point-to-point travel times by aviation and rail. This suggests that the range beyond which rail cannot compete on travel time is around 800 km: • On journeys of less than 400 km conventional rail will usually be faster than air for point-to-point journeys (e.g. London to Manchester is 296 km by rail, London to Brussels 373 km). • On journeys below 800 km high-speed rail has the potential to enable significant modal shift (e.g. London to Edinburgh 632 km by rail, London to Amsterdam 605 km).

**High-speed rail destroys the airline industry – China proves**

**China Daily, 11** (Xin Dingding – staff writer, July 7, 2011, “Airlines to fend off fast-train threat,” China Daily, http://www.chinadaily.com.cn/china/2011-07/07/content\_12850384.htm, DJH)

Under pressure from the 300 km/h Beijing-Shanghai rail service that started on June 30, the air transport industry has announced several initiatives to improve punctuality and strengthen cooperation with high-speed rail operators. A publicity official from the North China regional area of the Civil Aviation Administration of China (CAAC), who spoke on condition of anonymity, said on Wednesday that two meetings were held recently in an attempt to find ways to prevent the profitable Beijing-Shanghai air route from being sidelined by the new fast-train connection between the cities. "There are not only measures to sharpen flights' competitiveness but there will also be cooperation, such as the fact that airlines will put passengers on fast trains if flights are seriously delayed or canceled," he said. "It will be a win-win situation and bring travelers convenience because they would otherwise have to waste a night and airlines would have to pay for a hotel." A measure to improve flight punctuality is the fact that airlines operating the Beijing-Shanghai route will now park a spare plane in each of the two airports for use in emergencies. Airlines will also assign guides at airports to help passengers arriving late get on board in a short period of time, according to Beijing News on Wednesday. Air traffic control departments are also being urged to give priority to Beijing-Shanghai flights when circumstances, such as thunderstorms or military drills, affect scheduling, the paper reported. Wang Zhiping, a Shanghai-based engineer, said it was unclear to what extent the steps will improve the viability of flights between the two cities. "Recent storms caused frequent flight delays, making the high-speed rail seem like really a good choice," he said. "Competition is a good thing because it is the only reason that the airlines have now decided to do something." Airlines have slashed the price of some tickets, with the cheapest now being 360 yuan ($56) before the airport construction fee and the fuel surcharge. In comparison, the 300 km/h rail service charges 555 yuan for a second-class seat. The Beijing-Shanghai route has been called a "golden passage" in the past because it has been one of the most lucrative routes in China. The CAAC in 2007 coordinated airlines to jointly launch an express service that provides flights between two of China's most dynamic cities every half hour. Some 4.18 million people flew between the cities in 2006. But after the Beijing-Shanghai high-speed railway entered service a week ago, the airlines faced direct competition from trains that appear to offer punctuality, no matter how bad the weather is. Previous estimates by industry insiders said the opening of the Beijing-Shanghai high-speed line could take 20 percent of passengers away from the airlines. While the long-term relationship between airlines and rail operators is not yet known, the industry website www.carnoc.com carried statistics from the first few days of the high-speed line on Wednesday and said it seemed to have had little impact on Beijing-Shanghai flights. Planes between Beijing and Shanghai, it said, had an occupancy rate above 85 percent during the first three days of July. But Beijing-Nanjing flights and Beijing-Jinan flights saw an obvious drop in their occupancy rate. Compared to an 80 percent occupancy in May and June, the two routes' fell to 65 percent and 50 percent respectively during the first three days of July. Previously, high-speed railways have forced airlines to abandon routes between Wuhan and Guangzhou and between Hefei and Wuhan.

**( \_\_\_ ) More ev to prove the China example – also Europe**

**The National, 10** (Daniel Bardsley – staff writer, citing Manop Sangiambut, Deputy Head of China Research at CSLA, March 20, 2010, “Full throttle on high-speed rail,” The National, http://www.thenational.ae/business/full-throttle-on-high-speed-rail#full, DJH)

While **high-speed trains** may be popular with passengers, they can **cause turbulence to the airline industry**. The rolling stock may not be as fast as an aircraft, but as the trains run directly into city centres they can be more attractive than flying, even for business travellers. No wonder then that airlines have cut prices to stay competitive. China Southern Airlines used to charge a reported 700 yuan to fly between Guangzhou and Changsha, which lies on the line to Wuhan. This month, passengers could buy tickets online from the carrier for as little as 170 yuan. In Europe, airlines have dropped some routes between major cities altogether as a result of competition from high-speed railways. Mr Sangiambut believes China's airlines will be put further on the back foot by new train routes. Flights of less than two hours, he says, would be "**very much impacted**" if high-speed trains start operating the same route. "They will come under pressure when these high-speed networks become more fully operational," he says. "I don't think they will be closed entirely, but frequency could be reduced." The price of a Beijing-Shanghai high-speed train ticket has not been announced yet, but Mr Sangiambut says the ministry of railways will ensure it is "rather competitive" with flying. As a result, he thinks the Beijing-to-Shanghai air route will suffer when the high-speed rail line opens and cuts the rail trip from 10 hours to four hours. "**There will be some impact for sure**," he says.

**Multiple factors make high speed rail and airplanes competitive**

**Jorritsma, 09** - senior researcher at the KiM Netherlands Institute for Transport Policy Analysis of the Dutch Ministry of Transport in The Hague (Peter, July 28, 2009, “Substitution Opportunities of High Speed Train for Air Transport,” http://www.aerlines.nl/issue\_43/43\_Jorritsma\_AiRail\_Substitution.pdf, DJH)

Many factors influence the market shares between the airplane and high-speed trains. According to the literature, travel time is the most important one. Barron (2007) reports market shares ranging from 10 percent to 97 percent for HST compared to the airplane. The HST has a clear advantage over the airplane on city pairs with travel times between two and three hours. The train can achieve market shares of between 50 and **90 percent**. Good examples are city pairs such as Paris-Lyon, Madrid-Seville and Rome-Bologna. The Thalys high-speed train on the Amsterdam-Paris (4 hours) route, which is not yet in full operation, already has a market share of approximately 45 percent compared to the airplane. Other factors that contribute to the relative position of rail to air are ticket prices, frequency of the service, the integration of networks, airline alliances, accessibility of railway stations and airport terminals, reliability and punctuality of the services and government policy.

**Lowering the time for rail travel necessarily corresponds to a decrease in airlines’ market share – travel time**

**Jansson and Neldall, 10** – Royal Institute of Technology, Sweden (Kjell and Bo-Lennart, July 15, 2010, “High-speed trains in Sweden – a good idea?,” Presentation for the 12th WCTR, Google Scholar, DJH)

The diagram in figure 2 shows the international experience of market share rail-air depending of rail travel times according to Nelldal-Troche, (2001). Based on this study there seems to be a stable relation between travel time by train and the rail-air market share. At 3 hours travel time rail will have higher market share than air and at 2 hours travel time **rail will totally dominate** the market and sometimes **the airlines close down**. Also in Sweden, when the faster trains (X2000) were introduced between Stockholm and Gothenburg and train travel time was reduced from 4 to 3 hours, the market share for rail grew from 40 to almost 60 per cent. The relation between rail and air is very direct: When travel time by train will be shortened more customers change mode to train. When the air market decreases the departures will be reduced and even more customers use the train. After some years the market is stabilised.

**( \_\_\_ ) More empirical ev**

**CAPA- Centre for Aviation 11** leading provider of independent aviation market intelligence, analysis and data services, covering worldwide developments(15 April 2011, “China’s aviation industry to suffer billions in losses from high-speed rail,” CAPA- Centre for Aviation, http://www.centreforaviation.com/analysis/chinas-aviation-industry-to-suffer-billions-in-losses-from-high-speed-rail-50007)

High-speed rail is rapidly becoming a pillar of China's transportation network and an increasing threat to local airlines that have prospered from years of strong demand growth and a lack of efficient ground transport alternatives. China's burgeoning high-speed rail network is already the world's most extensive at 8358 km as at the end of 2010. But that is just the start. A 50% increase in the network is planned in 2011 alone. China’s aviation industry is bracing for a reduction in revenues and profitability arising from rising competition from high-speed rail. International expansion is an increasingly necessary option for China's airlines. Some estimates put the loss in revenue for China’s aviation industry (from reduced traffic and price pressure) at up to CNY10 billion (USD1.5 billion) in 2012, or 3-4% of the total. CAAC Director Li Jiaxiang stated some 50% of flights less than 500 km in length could become unprofitable as a result of competition from high-speed trains and around 20% of flights of between 800 and 1000 km could also run at a loss for the same reason. But sectors above 1500 km are not likely to be threatened, he added. However, Mr Li noted that, over the long-term, the development of the nation’s high-speed rail network could be highly complementary to the local aviation industry. The CAAC has also forecast that with rising household incomes and increased demand, the aviation industry will continue to witness double-digit domestic passenger growth, even with the impact of high-speed rail. Passenger throughput at 175 Chinese airports reached a record high of 564.3 million in 2010, as the year-on-year growth rate soared to 16.1%, according to the CAAC. This included a 15.7% increase in domestic passenger numbers to 520 million and a 20.6% jump in international passenger numbers to 44.7 million, or roughly 7.9% of the total. China’s international travel market is still in its infancy, as this proportion attests. By contrast, the US market is roughly an 89:11 split between domestic and international traffic. If this proportion is applied to China’s traffic forecast for 2020, there would be a total 77 million international passengers to/from China in 2020 – or 32.3 million more than in 2010. If the US proportion is applied to China’s 2030 traffic forecast, the total international traffic would rise to 165 million, or 3.6 times the 2010 figure. In fact, CAPA expects these figures to be exceeded as China’s aviation links with neighbouring Asian countries are liberalised and expand rapidly. See related report: Asia Pacific aviation outlook: Sustaining momentum will require vision and leadership Experience elsewhere shows big cuts are looming Guotai Junan Securities recently predicted that high-speed rail could capture between 1.3% and 5.3% of domestic airline passengers p/a by 2014. First Capital separately forecast that airline revenues would decline by between 3% and 7.9% due to shrinking demand. China Minzu Securities, while downplaying the impact of high-speed railways on airlines, stated up to 9% of passengers could shift from air to rail transport by 2016. Experience elsewhere in North Asia, such as Japan, Korea and Taiwan has generally been positive for airlines, allowing them, particularly in the Korean case, to rationalise loss-making domestic services and focus on more profitable international routes. The problem for the Chinese carriers, however, is their service standards trail their foreign counterparts and they are also highly reliant on the domestic market, which remains highly regulated, for the bulk of their revenues and profits. In South Korea, the impact on domestic airline operations was profound, with seating capacity reduced by over 30% between 2003 and 2007. Since then, the introduction of LCC entrants has seen market capacity grow again, but it still remains below pre-high speed rail levels. Korea Train Express opened a third high-speed rail line on 01-Nov-2010. Since 2004, two lines have been in operation, together handling more than 100,000 passengers a day and providing competition for the nation's airlines. The first high speed rail line was opened in Apr-2004, after 12 years of construction, on the Gyeongbu Line (connecting Seoul to Busan via Daejeon and Daegu), slashing travel times between Busan and Seoul by half to 2 hours and 40 minutes. One of the lines operates from Seoul to Busan linking Korea's four largest cities while the other goes west to Mokpo through Gwangju. The new line also runs from Seoul to Busan but operates via the southeastern industrial heartland on the way. The travel times between the two cities has been reduced by 22 minutes to 2 hours and 18 minutes with stops in Daejeon, Daegu, Gyeongju and Ulsan. Air Busan has stated it would "compete with KTX directly by offering flights from Seoul to Busan once every 30 minutes and from Busan to Seoul once every 60 minutes adding: “In addition, we are planning to offer discounts to passengers in contrast to KTX, which has raised its prices by KRW4000.” South Korea's Transport Ministry in Apr-2011 stated it plans to expand the high-speed rail network nationwide by 2020 to accelerate transportation and promote regional development. The impact of the Taiwan High Speed Rail link - a 335km link from Taipei to Kaohsiung launched in Jan-2007 - has been even more profound on domestic airlines, with capacity slumping by half over the past couple of years. The establishment of scheduled cross-Strait services to Mainland China has provided a lifeline for Taiwanese carriers, whose domestic point-to-point business between the island’s two major cities has been decimated. Taiwan High-Speed Rail Corporation earlier this year stated it is operating in deficit despite an annual passenger numbers growth of 14% year-on-year in 2010. Taiwan’s high-speed rail handles on average more than 100,000 passengers per day but needs to handle more than 145,000 daily passenger numbers in order to make a profit.

### 2nc – Link UQ

**The link is unique – government investment is incredibly limited, but new funding requires a trade-off**

**Travel Weekly, 10** (Michael Fabey – staff writer, citing Ray LaHood, Secretary of Transportation, citing James May, president and CEO of the Air Transport Association, March 15, 2010, “LaHood tells aviation industry: don't fight high-speed rail funds,” Travel Weekly, http://www.travelweekly.com/Travel-News/Government/LaHood-tells-aviation-industry--Don%E2%80%99t-fight-high-speed-rail-funds/ DJH)

LaHood bristled at the insinuation that the government saw itself as a golden spigot of public funding for high-speed rail. "The idea that it will be all subsidized by the government is nonsense," he said. "**There's not enough money in Washington**." But that's partly the point, aviation officials said. **There's precious little public funding available**, and what there is should be targeted for important aviation programs like NextGen air traffic control and airport operations. "I'm not against high-speed rail," said FAA conference panelist James May, president and CEO of the Air Transport Association. "I just wish we could get more funding."

## \_\_\_\*\*Heg XT

### IL XT (Both) – 2nc

Airline growth will boost U.S. aero dominance – our evidence is future predictive and assumes alt causes

Huerta, ’12 – Michael P. Huerta, FAA Acting Administrator. “FAA Aerospace Forecast Fiscal Years 2012-2032,” <http://www.faa.gov/about/office_org/headquarters_offices/apl/aviation_forecasts/aerospace_forecasts/2012-2032/media/2012%20FAA%20Aerospace%20Forecast.pdf>.

The aviation industry continued to show resilience last year despite tough economic times. The activity of U.S. carriers at home and abroad increased by 3.5 percent in 2011. Despite a slight pause in growth projected for 2012, we expect that over the long run, aviation will continue to experience steady, moderate growth. U.S. airlines have returned to profitability in the last two years and we expect that trend will continue in 2012 as well. This forecast looks at how many planes and how many people will fly on U.S. carriers in the future – from 2012 to 2032. We want to see a picture of air travel in the next 20 years, and we want to know what we at the FAA should strive to meet and accommodate. The FAA sees a competitive and profitable industry continuing to grow over the long term despite the fact that we are operating in a climate of economic uncertainty and rising oil prices. As the economy continues to recover, the total number of takeoffs and landings and the number of passengers who board U.S. airlines will continue to climb. This year, we expect that international markets for U.S. carriers will continue to grow faster than domestic markets, as they did last year. The forecast calls for a slight decrease –less than one percent—in domestic capacity in 2012, as measured by available seat miles. This is after a 2 percent increase in 2011. Despite this pause in growth, the FAA projects continued growth between 2 percent and 3 percent per year over the next 20 years. This year’s forecast predicts that the industry will grow from 731 million passengers in 2011 to 1.2 billion in 2032. Cumulatively, air traffic growth for U.S. carriers–measured by revenue passenger miles–is expected to rise by more than 90 percent in the next 20 years. It grew by 3.5 percent in 2011. Airport tower operations are expected to increase by 23 percent. Also, the number of aircraft handled at FAA en-route centers, which separate high altitude traffic, is expected to increase by 50 percent. Over the next 20 years, large airports will continue to grow faster than their smaller counterparts in the United States. We are forecasting that the number of larger regional jets will increase, while most of the smaller regional jets will be retired from the fleet. On the general aviation front, the demand for products and services will continue to grow, particularly in new business jets and light sport aircraft. As our aviation system advances into the next century of flight, the solution for handling the demand for service is the Next Generation Air Transportation System, or NextGen. We are in FAA Aerospace Forecast Fiscal Years 2012-2032 the process of transforming our national air space system from the ground-based radar of today, to the satellite-based system of tomorrow. This is a fundamental change in the way the United States and the world will navigate and control air traffic. Precise, satellite-based navigation is already revolutionizing the way we do business today. Technology is helping us to become safer, quieter, cleaner and more efficient with our assets. We are creating a new template for the way we manage air traffic, yet the FAA’s core mission remains the same. We will continue to work every day to deliver the safest and most efficient aerospace system in the world.

Airline failure kills the aerospace industry

Journal of Transportation ’10 [Journal of Transportation, “Aerospace/Defense: global investment bank with strong aerospace and aviation ties renews call for congressional action on airline re-regulation” (2010) <http://search.proquest.com.ez.sccd.ctc.edu:3048/docview/732988503/fulltext/137709FEEF963747312/2?accountid=36118>, accessed 6/20/12]

2010 AUG 7 - (VerticalNews.com) -- McGladrey Capital Markets, a global provider of investment banking services affiliated with RSM McGladrey and H&R Block, called on Congress two years ago at the Farnborough International Airshow to re-regulate the United States airline industry. Fear continues to surround the term "re-regulation," but industry losses of $12.3B in North America over the last two years strengthen the call to action, according to Hector J. Cuellar, president of McGladrey Capital Markets. Cuellar, an active proponent in the aerospace and aviation industry for more than two decades, reissued the call at the 2010 Farnborough International Airshow today. Two years have passed since Robert Crandall, the former chief executive of American Airlines, highlighted some serious concerns for the industry that arose as a result of deregulation. There has been no significant action from Congress during that time. "Due to the airlines' utility-like characteristics and specific challenges including volatile fuel prices, outdated labor and bankruptcy laws and the lack of a regulated pricing system, re-regulation is essential to a healthy domestic airline industry," said Cuellar. "Government must act now - before our airline transportation infrastructure is depleted. Waiting further will not only damage our country's ability to grow but hurt the aerospace sector as airlines press hard for lower prices and PMA (generic) parts." Re-regulation is also necessary to stop failing airlines from remaining in operation while under bankruptcy protection, Cuellar stated. "The ability of failed carriers to use lower costs to undercut the fares of financially stable carriers should be disallowed," Cuellar suggests. "If bankrupt airlines are unable to get their affairs in order within one year, they should be allowed to fail instead of spreading instability throughout the industry." Aging fleets, decreasing capacity, job losses due to consolidation and financial losses leading to government bailouts do not have to be the story of the US airline industry moving forward, he noted. Cuellar asserts that utility-like treatment of the airlines will avoid further consolidation and job loss, improving the financial outlook of both the carriers and the supporting industry that surrounds air travel.

**Airlines actions impact aerospace jobs and projects- Airlines for America lawsuit proves consolidation is true**

**Aviation Magazine ’12** [ Bill Goldston, “Thousands Of U.S. Aerospace Jobs Threaten By Airline Industry Lawsuit” January 12,2012, http://avstop.com/news\_january\_2012/thousands\_of\_us\_aerospace\_jobs\_threaten\_by\_airline\_indudustry\_lawsuit.htm , accessed 6/20/12]

January 12, 2012 - A decision is expected soon on a lawsuit filed by an airline industry trade group that has the potential to cost thousands of U.S. aerospace jobs and cripple the work of the U.S. Export-Import Bank. The Airlines for America (formerly Air Transport Association Inc.), the industry trade organization for the leading U.S. airlines, on November 16, 2011, filed suit against the Export-Import Bank of the United States (Ex-Im Bank) to halt a pending deal for $3.4 billion in loan guarantees for the sale of dozens of Boeing aircraft to Air India, saying that it fails to meet statutory requirements, including consideration of the impact on the U.S. airline industry and U.S. airline jobs. Airlines for America asserts that the practices of Ex-Im Bank put U.S. carriers at a commercial disadvantage to foreign carriers. Specifically, the U.S. loan guarantees enable foreign carriers to obtain financing for aircraft at considerably lower rates, in some cases up to 50 percent lower, than what U.S. airlines must pay on the commercial market.

### ! Wall – Heg 2nc

**The aerospace race will define the 21st century – a US victory is key to cement great power status**

Erickson 4 – PhD in Politics from Princeton

Andrew, “Seizing the High Ground: China’s Aerospace Development and its Larger Implications,” http://www.eastwestcenter.org/fileadmin/stored/pdfs/IGSCwp003.pdf

Geotechnological Maneuvering: The 21st Century Power Politics For most of the twentieth century, international politics was dominated by geopolitical maneuvering—competition between the capitalist and communist blocs for the support4 of non-aligned countries. This century’s analogue is geotechnological maneuvering. As Vally Koubi explains, “interstate rivalry, especially among super powers, often takes the form of a race for technological superiority … The emphasis on military technology is bound to become more pronounced in the future as R&D becomes the main arena for interstate competition.” 10 Following this geotechnological paradigm, states will continue the realist actions that have promoted their security for centuries, only this time with technological development as the decisive competitive realm. Some scholars contend that in attempting supranational federation, Europe has transcended the realist paradigm, ushering in a new era of constructivist cooperation. In fact, however, both individual European nations and their collective organizations follow patterns analogous to those their predecessors followed at the height of European great power competition. (Consider Paris’s Gaullist cultivation of Moscow and a Francophone African sphere of influence to balance against U.S. power and leverage interest-based concessions). Technology is no exception. Despite globalization, many firms rely on government support to enhance their competitiveness. (Most nations’ intelligence agencies conduct economic espionage. For instance, Paris bugged its aerospace asset Air France to help French businesses). 11 Brussels has begun federation-based geotechnological maneuvering. As the EU’s latest Space Policy White Paper emphasizes, “Space technologies are set to play a key role in helping the Union achieve its main objectives: faster economic growth, job creation and industrial competitiveness, enlargement and cohesion, sustainable development and security and defence.” 12 For example, given American development of the Global Positioning System (GPS), Europe had no strictly commercial need to develop its own. But Europe’s $3.3 billion 13 observation-satellite project GALILEO has become a technology driver and strategic lever. China recently joined Europe’s system (less likely to be manipulated during Taiwan crises), with India and Brazil to follow. Currently unable to develop indigenous systems, their first priority is to balance against reliance on America’s. Whereas America has minimized contact with China’s defense industry, European Union (EU) nations like France have increased cooperation and seek to lift the Tiananmen-imposed weapons embargo, in part because “China is their most effective counterweight to U.S. hegemony.” 14 Such geotechnological posturing is merely a hightechnology version of great power balancing. Nor is technological development a superpower luxury. When it comes to such key national interests, all potential great powers—believing that they can only truly depend on themselves—engage in technonationalist realpolitik. Chinese satellites extend wireless telecommunications infrastructure. Indian reconnaissance helps to reclaim arable land. 15 Via satellite, Brasilia monitors American crops to strategize commodity trade. 16 Brazil “has become the first South American nation to field a fleet of surveillance and intelligence-gathering aircraft that, in addition to monitoring illegal activities and environmental damage, is bringing the government’s presence to the most remote area of the Amazon.” 17 Despite an August 2003 launch pad explosion that killed twenty-one of its top scientists, Brazil remains determined to master space launch vehicles (SLVs)—“for strategic national purposes.” 18 “[W]e cannot expect to be given this kind of advanced, strategic technology by any other country,” Space Agency director Sergio Gaudenzi emphasizes. “We have to develop it ourselves.” 19 Brasilia and Beijing have initiated an aerospace development axis to reduce their comparative vulnerabilities. China is exchanging rocket expertise for Brazilian aircraft5 technology—some originally developed in advanced nations like France and funded by international investors—without exposing its own aerospace sector to Western scrutiny. Already, “[i]n addition to cooperation on complete satellites, China and Brazil are cooperating in the areas of satellite technology, satellite application, and satellite components.” 20 Sino-Brazilian collaboration follows a pattern in which aspiring aerospace powers seek extra-regional development partners to increase their own regional dominance. Emerging U.S.-Indian cooperation may represent the latest manifestation of this geotechnological balancing. 21 The Highest High Ground Aerospace has represented the international geostrategic high ground since Moscow developed ICBMs, rendering America vulnerable to nuclear attack. This threat was dramatized by Sputnik’s launch on October 4, 1957. Future President Lyndon Johnson emphasized: “The Roman Empire controlled the world because it could build roads. Later, when men moved to the sea, the British Empire was dominant because it had ships. Now the Communists have established a foothold in space.” 22 Civilians likewise recognized the significance of aerospace success: “An April 1960 poll revealed that a plurality of people in every European nation thought the USSR to be stronger than the US. Only 25% of the British and 7% of the French envisioned Americans emerging victorious in the long run.” 23 Aerospace is 1) critical to military dominance and 2) important to overall technological development. With boundless potential for scientific advance, it promises tremendous military, economic, and political rewards. Aerospace offers established powers unprecedented opportunities to enhance their geopolitical edge. Critical to great power status today, “Space operations and activities utilizing space-based assets have broad implications for national power in peace and war… military operations in space are extensively interrelated with national and political interests, and any action in space, even minor ones, can impact the balance of wealth and power among nations.” 24 Growing powers therefore naturally regard aerospace development as critical to achieving great power status, established great powers to maintaining it. Studying a nation’s aerospace development therefore offers key insights into its great power ambitions and its capacity to realize them. Technological advance imposes increasing reliance on specific software, satellites, and systems, offering aspiring great powers unprecedented opportunities to leapfrog technologies and narrow the gap vis-à-vis established competitors by asymmetrically challenging and even attacking ‘linchpin’ systems. Wireless technology offers China comprehensive telecommunications coverage of mountainous territory without prior landline investment. Increasing reliance on communications satellites makes America “more dependent on space than any other nation.” 25 This creates concentrated targets for foreign espionage, and even weapons in wartime. ‘Satellite killers’ need not be advanced lasers: pebbles released in enemy orbit would likely destroy satellites before they effected countermeasures. So vast are asymmetric attack options that a U.S. government space commission concluded that “The U.S. is an attractive candidate for a ‘Space Pearl Harbor’.” 266 Aerospace is even more important to great power status than developing nuclear weapons per se. Nuclear weapons lie at the mercy of aerospace capabilities—they cannot provide credible deterrence without effective missile- or aircraft-based delivery systems. American development of new-generation anti-aircraft weapons and even missile defense could make nuclear delivery’s aerospace backbone even more important. (That is why Russia and China strongly oppose American missile defense and are developing penetration aids [PENAIDS] to limit its potential effectiveness). Moreover, aerospace development offers larger economic and technological benefits that narrow nuclear development does not. Nuclear technology transfer cannot serve as a major source of economic development because robust international regimes regulate its weapons component, and environmental concerns limit civilian nuclear power in many developed nations. In sharp contrast, aircraft technology transfer is not directly regulated by international regimes 27 (though China advocates such limitations to ameliorate its comparative long-range bomber deficiency), and missile technology transfer is limited with only partial effectiveness. This disparity in international restrictions exists not because nations capable of coordinating and enforcing international regimes (e.g., America) value nuclear over aerospace technology, but rather because nuclear technology can be specifically defined and thus systematically controlled. By contrast, aerospace technology is so versatile in application that it is difficult to isolate: “95 percent of space technologies are dual use in nature.” 28 This versatility thwarts the formulation of specific regulations. Not surprisingly, some potential great powers (e.g. Brazil and Japan) have decided not to develop nuclear weapons (at least for now), but still do develop aerospace capabilities. To the extent that all-out aerospace competition does not currently characterize the international system, it is because no great power is currently capable of directly challenging America. As Vally Koubi explains, for the development of critical, nonpreemptive weapons (such as the majority of those in the aerospace field), the typical pattern of competition “involves a great effort to close a technological gap, relative complacency when one has the lead, and an intense race in conditions of parity when the nations are close to developing the weapon.” 29 Thus, aerospace competition intensifies when the relative capabilities of major powers come closer together, bringing the hierarchy of the international system into question. Given the stakes involved, a rapid change in one power’s relative capabilities will attract the attention of its competitors even if the difference in capabilities is still large.

**Aerospace industry is key to hegemony**

**AIAA, 10** (Aerospace Industries Association of America, September 18, 2010, “Aerospace and Defense: Second to None,” National Aerospace Week, http://www.nationalaerospaceweek.org/wp-content/uploads/2010/04/whitepaper.pdf, DJH)

The beginning of a new decade presents the defense industry with challenges that aren’t new, but are becoming more urgent. Developing a national strategy to ensure a robust industrial base and modernizing our military hardware must become frontburner priorities. The health of the industrial base is at the heart of our ability to supply our nation with the weapons systems it requires. As we wrote in our landmark study on the industrial base in 2009: “Military technologies used to be much more closely related to civilian technologies. They even used common production processes. But because DOD is today the sole customer for industry’s most advanced capabilities, the defense industrial base is increasingly specialized and separate from the general manufacturing and technology sectors. That means even a healthy general economy will not necessarily help underwrite the industrial capabilities DOD most needs.” A huge step forward was made this year when the industrial base was included in the Quadrennial Defense Review as a factor to be considered in its long-term planning. We’re optimistic that the next step — inclusion of industrial base considerations in program plans and policy — will be executed as directed by the QDR — ensuring that it becomes incorporated into long-range defense plans. However, we remain concerned about the fragility of the supplier base. With another round of acquisitions and consolidations imminent along with a projected decline in defense spending, the supplier base remains particularly vulnerable. These small businesses are critical to the primes and to the government. They face multiple challenges overcoming barriers to federal contracting and once they leave the contracting base, they and their unique skills cannot be recovered. 2010 Aerospace Industries Association of America, Inc. 4 Along with our concern about the industrial base is the long-term issue of modernizing our military hardware. The 1980s defense build-up is now 25 years old, and systems acquired then are in need of replacement. The decade of 2010-19 is the crucial time to reset, recapitalize and modernize our military forces. Not only are many of our systems reaching the end of their designed lives, but America’s military forces are using their equipment at many times the programmed rates in the harsh conditions of combat, wearing out equipment prematurely. Delaying modernization will make it even harder to identify and effectively address global threats in the future. The requirements identified in the QDR — for the United States to overmatch potential adversaries and to execute long-duration campaigns in coming years against increasingly capable potential opponents — **will require complex and expensive aerospace capabilities**. This is a concern that the Defense Department recognizes. Under Secretary of Defense Ashton Carter has said that the department is looking to develop a “family of systems” for future strike options that will be supported by the “family of industry.” 9 This is welcome news. However, defense modernization is not optional. While the fiscal 2011 budget request is a reasonable target that takes into account funding needed to fight two wars, the pressure on the procurement and research and development budget is sure to increase in the future. At the same time, America must adapt its defenses to new kinds of threats. A large-scale attack on information networks could pose a serious economic threat, impeding or preventing commerce conducted electronically. This would affect not only ATM transactions, but commercial and governmental fund transfers and the just-in-time orders on which the manufacturing sector depends. It could even pose threats to American lives, interrupting the transfer of medical data, disrupting power grids, even disabling emergency communications links. In partnership with the government, our industry is on the forefront of securing these networks and combating cyber attack. The American people also demand better security for the U.S. homeland, from gaining control of our borders to more effective law enforcement and disaster response. **The aerospace industry provides the tools that help different forces and jurisdictions communicate with each other; monitor critical facilities and unpatrolled borders, and give advance warning of natural disasters, among other capabilities**. In many cases, government is the only market for these technologies. Therefore, sound government policy is essential not only to maintain current capabilities, but to ensure that a technology and manufacturing base exists to develop new ones.

**Aerospace competiveness is the vital internal link to U.S. global hegemony**

Walker et al 2 – Chairman of the USAI

Robert Walker, et al, Chair of the Commission on the Future of the United States Aerospace Industry Commissioners, 2002, “Final Report of the Commission on the Future of the United States Aerospace Industry Commissioners,” <http://www.trade.gov/td/aerospace/aerospacecommission/AeroCommissionFinalReport.pdf>

Defending our nation against its enemies is the first and fundamental commitment of the federal govern-ment.2 This translates into two broad missions—Defend America and Project Power—when and where needed. In order to defend America and project power, the nation needs the ability to move manpower, materiel, intelligence information and precision weaponry swiftly to any point around the globe, when needed. This has been, and will continue to be, a mainstay of our national security strategy. The events of September 11, 2001 dramatically demonstrated the extent of our national reliance on aerospace capabilities and related military contributions to homeland security. Combat air patrols swept the skies; satellites supported real-time communications for emergency responders, imagery for recovery, and intelligence on terrorist activities; and the security and protection of key government officials was enabled by timely air transport. As recent events in Afghanistan and Kosovo show, the power generated by our nation’s aerospace capa-bilities is an—and perhaps the—essential ingredient in force projection and expeditionary operations. In both places, at the outset of the crisis, satellites and reconnaissance aircraft, some unmanned, provided critical strategic and tactical intelligence to our national leadership. Space-borne intelligence, com-mand, control and communications assets permitted the rapid targeting of key enemy positions and facilities. Airlifters and tankers brought personnel, materiel, and aircraft to critical locations. And aerial bombardment, with precision weapons and cruise missiles, often aided by the Global Positioning System (GPS) and the Predator unmanned vehicle, destroyed enemy forces. Aircraft carriers and their aircraft also played key roles in both conflicts. Today’s military aerospace capabilities are indeed robust, but at significant risk. They rely on platforms and an industrial base—measured in both human capital and physical facilities—that are aging and increasingly inadequate. Consider just a few of the issues: • Much of our capability to defend America and project power depends on satellites. Assured reliable access to space is a critical enabler of this capability. As recently as 1998, the key to near- and mid-term space access was the Evolved Expendable Launch Vehicle (EELV), a development project of Boeing, Lockheed Martin and the U. S. Air Force. EELV drew primarily on commercial demand to close the business case for two new launchers, with the U.S. government essentially buying launches at the margin. In this model, each company partner made significant investments of corporate funds in vehicle development and infrastructure, reducing the overall need for government investment. Today, however, worldwide demand for commercial satellite launch has dropped essentially to nothing—and is not expected to rise for a decade or more—while the number of available launch platforms worldwide has proliferated. Today, therefore, the business case for EELV simply does not close, and reliance on the economics of a commercially-driven market is unsustainable. A new strategy for assured access to space must be found. • The U.S. needs unrestricted access to space for civil, commercial, and military applications. Our satellite systems will become increasingly important to military operations as today’s information revolution, the so-called “revolution in military affairs,” continues, while at the same time satellites will become increasingly vulnerable to attack as the century proceeds. To preserve critical satellite net-works, the nation will almost certainly need the capability to launch replacement satellites quickly after an attack. One of the key enablers for “launch on demand” is reusable space launch, and yet within the last year all work has been stopped on the X-33 and X-34 reusable launch programs • The challenge for the defense industrial base is to have the capability to build the base force structure, support contingency-related surges, provide production capacity that can increase faster than any new emerging global threat can build up its capacity, and provide an “appropriate” return to shareholders. But the motivation of government and industry are different. This is a prime detraction for wanting to form government-industry partnerships. Industry prioritizes investments toward near-term, high-return, and high-dollar programs that make for a sound business case for them. Government, on the other hand, wants to prioritize investment to ensure a continuing capability to meet any new threat to the nation. This need is cyclical and difficult for businesses to sustain during periods of government inactivity. Based on the cyclic nature of demand, the increasing cost/complexity of new systems, and the slow pace of defense modernization, aerospace companies are losing market advantages and the sector is contracting. Twenty-two years ago, today’s “Big 5” in aerospace were 75 separate companies, as depicted by the historical chart of industry consolidation shown in Chapter 7. • Tactical combat aircraft have been a key component of America’s air forces. Today, three tactical aircraft programs continue: the F/A-18E/F (in production), the F/A-22 (in a late stage of test and evaluation), and the F-35 Joint Strike Fighter (just moving into system design and development). Because of the recentness of these programs, there are robust design teams in existence. But all of the initial design work on all three programs will be completed by 2008. If the nation were to conclude, as it very well may, that a new manned tactical aircraft needs to be fielded in the middle of this century, where will we find the experienced design teams required to design and build it, if the design process is in fact gapped for 20 years or more? • More than half of the aerospace workforce is over the age of 404, and the average age of aerospace defense workers is over 50.5Inside the Department of Defense (DoD), a large percent of all scientists and engineers will be retirement eligible by 2005. Given these demographics, there will be an exodus of “corporate knowledge” in the next decade that will be difficult and costly to rebuild once it is lost. There will be a critical need for new engineers, but little new work to mature their practical skill over the next several decades. Further, enrollment in aerospace engineering programs has dropped by 47 percent in the past nine years6, and the interest and national skills in mathematics and science are down. Defense spending on cutting-edge work is at best stable, and commercial aircraft programs are struggling and laying workers off. As the DoD’s recent Space Research and Development (R&D) Industrial Base Study7 concluded, “[s]ustaining a talented workforce of sufficient size and experience remains a long-term issue and is likely to get worse.” In short, the nation needs a plan to attract, train and maintain a skilled, world-class aerospace workforce, but none currently exists. • The current U.S. research, development, test and evaluation (RDT&E) infrastructure has a legacy dating back to either World War II or the expansion during the Space Age in the 1960s. It is now suffering significantly from a lack of resources required for modernization. In some cases, our nation’s capabilities have atrophied and we have lost the lead, as with our outdated wind tunnels, where European facilities are now more modern and efficient. In the current climate, there is inadequate funding to modernize aging government infrastructure or build facilities that would support the development of new transformational capabilities, such as wind tunnels needed to design and test new hypersonic vehicles. The aerospace industry must have access to appropriate, modern facilities to develop, test and evaluate new systems. Throughout this dynamic and challenging environment, one message remains clear: a healthy U.S. aerospace industry is more than a hedge against an uncertain future. It is one of the primary national instruments through which DoD will develop and obtain the superior technologies and capabilities essential to the on-going transformation of the armed forces, thus maintaining our position as the world’s preeminent military power.

**Aerospace is vital to US leadership**

Walker et al 2 – Chairman of the USAI

Robert Walker, et cal, Chair of the Commission on the Future of the United States Aerospace Industry Commissioners, 2002, “Final Report of the Commission on the Future of the United States Aerospace Industry Commissioners,” <http://www.trade.gov/td/aerospace/aerospacecommission/AeroCommissionFinalReport.pdf>

Aerospace will be at the core of America’s leadership and strength in the 21st century. The role of aerospace in establishing America’s global leadership was incontrovertibly proved in the last century. This industry opened up new frontiers to the world, such as freedom of flight and access to space. It provided products that defended our nation, sustained our economic prosperity and safeguarded the very freedoms we commonly enjoy as Americans. It has helped forge new inroads in medicine and science, and fathered the development of commercial products that have improved our quality of life. Given a continued commitment to pushing the edge of man’s engineering, scientific and manufacturing expertise, there is the promise of still more innovations and new frontiers yet to be discovered. It is imperative that the U.S. aerospace industry remains healthy to preserve the balance of our leadership today and to ensure our continued leadership tomorrow. (v) Our Urgent Purpose The contributions of aerospace to our global leadership have been so successful that it is assumed U.S. preeminence in aerospace remains assured. Yet the evidence would indicate this to be far from the case. The U.S. aerospace industry has consolidated to a handful of players—from what was once over 70 suppliers in 1980 down to 5 prime contractors today. Only one U.S. commercial prime aircraft manufacturer remains. Not all of these surviving companies are in strong business health. The U.S. airlines that rely upon aerospace products find their very existence is threatened. They absorbed historical losses of over $7 billion in 2001 and potentially more this year. The industry is confronted with a graying workforce in science, engineering and manufacturing, with an estimated 26 percent available for retirement within the next five years. New entrants to the industry have dropped precipitously to historical lows as the number of layoffs in the industry mount. Compounding the workforce crisis is the failure of the U.S. K-12 education system to properly equip U.S. students with the math, science, and technological skills needed to advance the U.S. aerospace industry. (v) The Commission’s urgent purpose is to call atten- tion to how the critical underpinnings of this nation’s aerospace industry are showing signs of faltering— and to raise the alarm. This nation has generously reaped the benefits of prior innovations in aerospace, but we have not been attentive to its health or its future. During this year of individual and collective research, the Commission has visited and spoken with aerospace leaders in the United States, Europe, and Asia. Wenoted with interest how other countries that aspire for a great global role are directing intense attention and resources to foster an indigenous aerospace industry. This is in contrast to the attitude present here in the United States. We stand dangerously close to squandering the advantage bequeathed to us by prior genera-tions of aerospace leaders. We must reverse this trend and march steadily towards rebuilding the industry.

**A strong aerospace sector is key to all components of US hegemony**

Wright 93 – Major in USAF

Stephen, “AEROSPACE STRATEGY FOR THE AEROSPACE NATION,” <http://www.dtic.mil/doctrine/jel/research_pubs/p195.pdf>

A more dramatic indication of military dysfunction is evident in the DoD response to Senator Sam Nunn’s questioning of the efficacy of the military having four air forces [meaning the four services}.{14} The DoD response came in General Colin Powell’s report on roles and missions.{15} The report argues that "the other services have aviation arms essential to their specific roles and functions but which also work jointly to project America’s air power."{16} The debate argues that as it makes no sense to assign all radios or trucks to one service, so to it would not make sense to assign all aircraft to one service. Is this an aerospace rationale? Would we need aerospace forces to operate differently in the services’ strategies if there were only one air service? Would we not be better served to describe what we want U.S. forces (land, sea, and aerospace) to do and develop an integrated strategy to achieve some desired end state? For example, if the nation wants a highly mobile amphibious assault capability it needs Marines with airpower. If the nation wants sea control and power projection capabilities with minimal reliance on other nation support, it needs a Navy with airpower in the form of carrier air wings. If the U.S. wants an Army with the capability to do sustained, heavy combat with low casualties, it will need aerospace power. If the nation wants to exploit air and space forces as in it did in Desert Storm, it will need many air and space capabilities. As we found in Chapter 4, the future service strategies depend on aerospace power. The political imperatives driving those strategies devolve upon aerospace capabilities. If the Defense Department is to answer Senator Nunn, it must answer within the context of a military aerospace strategy. The ties linking the aerospace with its military counterpart were forged through two world wars, a cold war, Korea, Vietnam, and other lesser conflicts. Add to this crucible of the past the economic challenges of the future and one sees the desideratum of aerospace power. To achieve a position of predominance in aerospace, the U.S. requires a national aerospace strategy. Whither the Aerospace Nation? {17} If this paper serves no other purpose, it must serve as a wake-up call, a call to action for the aerospace nation. United States policy makers must view aerospace power as a national treasure. If economists like Robert Reich, Michael Porter and Lester Thurow, are correct, the aerospace industry will be critical to America’s future economic prosperity. Each argues that the future belongs to those nations with trained, skilled workers that add unique, high value to products. Each agrees that aerospace is one of those industries. Militarily we cannot operate without control of aerospace--all military strategies rely upon it. Aerospace dominance provides the capability for U.S. forces to win within the political imperatives of the future, especially with reference to casualties. Aerospace power, both its economic and military elements, is under great pressure to succeed in the future. To do so requires a national aerospace strategy.

### Heg IL – Add’l XTs

The aerospace industry is key to US hegemony-9/11 response proves

**Walker et. Al ‘02** [Robert S. Walker, F. Whitten Peters, Dr. Buzz Aldrin, Edward M. Bolen, R. Thomas Buffenbarger, experts in aerospace and space flight industries, November 2002, “Commission on the Future of the United States Aerospace Industry” <http://history.nasa.gov/AeroCommissionFinalReport.pdf>, accessed 6/18/12]

The Commission concludes that aerospace capabilities and the supporting defense industrial base are fundamental to U.S. economic and national security. While the nation’s defense industrial base is strong today, the nation is at risk in the future if the United States continues to proceed without a policy that supports essential aerospace capabilities. Defending our nation against its enemies is the first and fundamental commitment of the federal government. 2 This translates into two broad missions— Defend America and Project Power—when and where needed. In order to defend America and project power, the nation needs the ability to move manpower, materiel, intelligence information and precision weaponry swiftly to any point around the globe, when needed. This has been, and will continue to be, a mainstay of our national security strategy. The events of September 11, 2001 dramatically demonstrated the extent of our national reliance on aerospace capabilities and related military contributions to homeland security. Combat air patrols swept the skies; satellites supported real-time communications for emergency responders, imagery for recovery, and intelligence on terrorist activities; and the security and protection of key government officials was enabled by timely air transport. As recent events in Afghanistan and Kosovo show, the power generated by our nation’s aerospace capabilities is an—and perhaps the—essential ingredient in force projection and expeditionary operations. In both places, at the outset of the crisis, satellites and reconnaissance aircraft, some unmanned, provided critical strategic and tactical intelligence to our national leadership. Space-borne intelligence, command, control and communications assets permitted the rapid targeting of key enemy positions and facilities. Airlifters and tankers brought personnel, materiel, and aircraft to critical locations. And aerial bombardment, with precision weapons and cruise missiles, often aided by the Global Positioning System (GPS) and the Predator unmanned vehicle, destroyed enemy forces. Aircraft carriers and their aircraft also played key roles in both conflicts. Today’s military aerospace capabilities are indeed robust, but at significant risk. They rely on platforms and an industrial base—measured in both human capital and physical facilities—that are aging and increasingly inadequate.

## \_\_\_\*\*Air Power XT

### ! Wall – Air Power 2nc

**Air power is critical to an effective war on terrorism**

RAND 3

Project Air Force Annual Report, http://www.rand.org/pubs/annual\_reports/2005/AR7089.pdf

Counterterrorism Will Require a Mix of Air Force Capabilities and Long-Term, Sustained Effort The war on terrorism is more likely to be a long-term effort in which the use of force, at least by U.S. military personnel, is only sporadic and successful military operations will resemble counterinsurgency operations. The primary role of U.S. military forces will often be indirect and supportive. U.S. forces will be called upon to train, equip, advise, and assist host-country forces in rooting out terrorist groups; forge strong relationships with host-country personnel; show great discretion in their conduct of operations; and maintain a low profile in the host country. They will be able to react swiftly and effectively when promising targets arise. The Air Force, then, should expect sustained heavy demand to provide important capabilities, assets, and skill sets to support counterterrorism operations abroad. Chief contributions will include surveillance platforms, operators, and analysts; language-qualified personnel to help train and advise host-country forces and to analyze human intelligence; security police and other force protection assets; base operating support personnel and equipment to provide communications, housing, and transportation; heliborne insertion and extraction capabilities; and humanitarian relief assets. In some cases, U.S. airpower may be called upon to strike terrorists in base camps, hideouts, vehicles, and other locations.

**The Air Force is key to preventing global conflicts – even if every other aspect of our military was doing great, we would always lose**

**Eaglen and Birkey, 12** (Mackenzie, resident fellow at the American Enterprise Institute, \*AND Douglas A., director for government relations, at the Air Force Association, March 21, 2012, “Nearing Coffin Corner: US Air Power on the Edge,” American Enterprise Institute, http://www.aei.org/files/2012/03/21/-national-security-outlook-march-2012\_133237930128.pdf, DJH)

As the Korean Peninsula example illustrates, controlling the skies is essential to the successful work of other US forces. Whether protecting naval assets; intelligence, surveillance, and reconnaissance platforms; command and control aircraft like AWACS and JSTARS; aerial refueling planes; ground forces; or forward operating bases, fighter aircraft would be stretched thin to provide the requisite coverage over such a vast expanse of territory. As of June 2011, the Air Force possessed 214 F-15Cs, 859 F-16Cs, and 185 F-22s. The Navy maintains 800 F-18s, of which roughly half are generally available for deployment at a given time.8 Of the US tactical fighter fleet, only the F-22s have the stealth attributes required to survive against China’s rapidly developing air defense systems. The Navy and Marine Corps will continue to outsource the tough tactical air missions of the western Pacific to the Air Force. If a wing of seventy-two F-22 fighters was based at a distance of 1,500 nautical miles from the combat zone—roughly the distance between Anderson Air Force Base on Guam to the South China Sea—only six aircraft could be kept over the battle area at a given time.9 Additionally, if these few fighters were confronted by a large volume of adversary aircraft, US planes could literally run out of missiles. Even if all weapons strike their targets and no US fighters are shot down, the United States might still lose the engagement because enemy aircraft could simply overwhelm US forces. If air dominance is not attainable on a sustained basis, most nonstealth weapons systems may have to operate outside the reach of the threat. This would dramatically curtail the use of key assets such as aerial refueling tankers, air-battle management aircraft, antisubmarine aircraft, carrier battle groups, and recently acquired platforms like the Littoral Combat Ship. These systems are simply not survivable amidst an unchecked A2/AD environment. Although F-22s, B-2s, DDG-1000 destroyers, and -submarines are impressive platforms, they are all tools of a campaign, not independent solutions. Evolving doctrine like AirSea Battle is built on the foundation of joint interdependence, with a wide variety of systems working together to attain the desired effect. Air dominance ensures participating assets can be employed and survive in the combat zone. The A2/AD threat also poses a major problem for operating facilities such as aircraft carriers, airfields, ports, and logistics centers. According to the 2009 Annual Report to Congress on the Military Power of the People’s Republic of China, China is amassing an arsenal of ballistic and cruise missiles that can “hold large surface ships, including aircraft carriers, at risk . . . [and] deny the use of shore-based airfields.”10 Missiles currently in the Chinese inventory could strike all US facilities in the western Pacific, including those on Guam. Combat aircraft do not operate autonomously. They require runways on land bases or carrier decks, support personnel, fuel, munitions, command and control networks, spare parts, and maintenance facilities. Eliminating any part of this support network would dramatically impede a sustained air campaign. An F-22 or B-2 is extremely difficult to shoot down, but this means little without the requisite infrastructure to keep it airborne. The same is true for most naval assets. Campaign planning must ensure such critical interlinks are defendable, robust, resilient, and diversified. Single points of failure within this system project unacceptable vulnerability.

**Korea proves – air power’s critical to prevent major conflict**

**Eaglen and Birkey, 12** (Mackenzie, resident fellow at the American Enterprise Institute, \*AND Douglas A., director for government relations, at the Air Force Association, March 21, 2012, “Nearing Coffin Corner: US Air Power on the Edge,” American Enterprise Institute, http://www.aei.org/files/2012/03/21/-national-security-outlook-march-2012\_133237930128.pdf, DJH)

Air power also plays a critical role in deterring and defeating proliferating Anti-Access/Area-Denial (A2/AD) capabilities around the world. As the 2010 Quadrennial Defense Review Report explains, “Anti-access strategies seek to deny outside countries the ability to project power into a region, thereby allowing aggressive or other destabilizing actions to be conducted by the anti-access power.”7 China, for example, has spent the past two decades developing a comprehensive aerial A2/AD capability. Next-generation platforms such as the J-20 stealth fighter, HQ-9 surface-to-air-missile, and DF-21 anti-ship ballistic missile are only the tip of the iceberg. Fourth-generation fighters such as the SU-27, J-10, J-11, and J-15 also pose significant threats. Even where new technology is not available, China has the advantage of amassing its assets at home without having to worry about the complexities entailed with power projection. This means that Chinese capabilities do not necessarily need to equal or exceed those of the United States to be effective. If the United States wants to preserve its ability to conduct a successful campaign to defeat A2/AD capabilities, fifth-generation fighters and bombers will need to penetrate sophisticated air defense networks to strike key targets. With only 185 F-22s and 20 B-2s, the United States has an extremely limited number of stealth aircraft that could participate in a first-wave assault to eliminate the source of these threats. (See figure 2.) These small-fleet dynamics become even more complex considering that only a portion of these aircraft would be combat-coded and available at a given time. A potential conflict over North Korea also highlights challenges associated with power projection in a robust A2/AD environment. Given the strategic threat posed by the rogue communist state’s nuclear arsenal, Seoul’s proximity to the border, and the refugee and humanitarian crises that would likely unfold, US forces would need to launch a concurrent parallel strike against myriad targets—nuclear facilities, ballistic missile sites, command and control architecture, air defenses, logistics lines, fielded forces, artillery batteries, and more. Such an attack would involve thousands of aim points, many of them hardened and deeply buried. With legacy systems challenged to survive amidst North Korea’s A2/AD defense—especially if China provided an umbrella of protection—the Air Force’s finite inventory of F-22 and B-2 stealth aircraft would execute many of the strikes. Support platforms like the U-2 and RC-135 intelligence, surveillance, and reconnaissance aircraft; KC-135 and KC-10 tankers; and E-3 AWACS airborne command and control planes would be of limited initial utility because they would have to operate outside the threat environment. If South Korean bases and essential support infrastructure were under attack—most likely with chemical, biological, and nuclear weapons—range would once again stand forth as a key attribute for American aircraft forced to operate from bases outside the country. The distances involved with such power projection would dilute the concurrent strike capacity of America’s small strike fleet.

### Deterrence – 2nc

**Deterrence – a weak aerospace industry undercuts deterrence – the impact is great power counterbalancing and conflict**

**Snead 7 – MS in Aerospace Engineering**

Mike Snead, Aerospace engineer, consultant focusing on Near-future space infrastructure development, “How America Can and Why America Must Now Become a True Spacefaring Nation,” Spacefaring America Blog, 6/3, http://spacefaringamerica.net/2007/06/03/6--why-the-next-president-should-start-america-on-the-path-to-becoming-a-true-spacefaring-nation.aspx

Great power status is achieved through competition between nations. This competition is often based on advancing science and technology and applying these advancements to enabling new operational capabilities. A great power that succeeds in this competition adds to its power while a great power that does not compete or does so ineffectively or by choice, becomes comparatively less powerful.  Eventually, it loses the great power status and then must align itself with another great power for protection. As the pace of science and technology advancement has increased, so has the potential for the pace of change of great power status.  While the U.S. "invented" powered flight in 1903, a decade later leadership in this area had shifted to Europe.  Within a little more than a decade after the Wright Brothers' first flights, the great powers of Europe were introducing aeronautics into major land warfare through the creation of air forces.  When the U.S. entered the war in 1917, it was forced to rely on French-built aircraft.  Twenty years later, as the European great powers were on the verge of beginning another major European war, the U.S. found itself in a similar situation where its choice to diminish national investment in aeronautics during the 1920's and 1930's—you may recall that this was the era of General Billy Mitchell and his famous efforts to promote military air power—placed U.S. air forces at a significant disadvantage compared to those of Germany and Japan.  This was crucial because military air power was quickly emerging as the "game changer" for conventional warfare.  Land and sea forces increasingly needed capable air forces to survive and generally needed air superiority to prevail. With the great power advantages of becoming spacefaring expected to be comparable to those derived from becoming air-faring in the 1920's and 1930's, a delay by the U.S. in enhancing its great power strengths through expanded national space power may result in a reoccurrence of the rapid emergence of new or the rapid growth of current great powers to the point that they are capable of effectively challenging the U.S. Many great powers—China, India, and Russia—are already speaking of plans for developing spacefaring capabilities.  Yet, today, the U.S. retains a commanding aerospace technological lead over these nations.  A strong effort by the U.S. to become a true spacefaring nation, starting in 2009 with the new presidential administration, may yield a generation or longer lead in space, not just through prudent increases in military strength but also through the other areas of great power competition discussed above.  This is an advantage that the next presidential administration should exercise.

**Deterrence key to checking Russian aggression in Georgia.**

**Schneider, ‘9** [Mark, a Senior Analyst with the National Institute for Public Policy, Before his retirement from the Department of Defense, Dr. Schneider served in a number of senior positions within the Office of Secretary of Defense for Policy including Principal Director for Forces Policy, Principal Director for Strategic Defense, Space and Verification Policy, Director for Strategic Arms Control Policy and Representative of the Secretary of Defense to the Nuclear Arms Control Implementation Commissions. He also served in the senior Foreign Service as a Member of the State Department Policy Planning Staff, the Professional Staff of the Senate Select Committee on Intelligence, the Department of Energy, the Energy Research and Development Administration and the Atomic Energy Commission. Prior to his government career, Dr. Schneider served as a Senior Political Scientist with the BMD Corporation, a policy analyst with the Stanford Research Institute and taught at the University of Southern California and California State University at Los Angeles, “Prevention Through Strength: Is Nuclear Superiority Enough?” Comparative Strategy, April, 200]

As stated in 2008 by Secretary of Defense Robert Gates, U.S. policy with regard to Russia is clearly in the process of change.63 Even before the Russian invasion of Georgia, Secretary of Defense Gates was forced to fire the senior leadership of the Air Force because they simply refused to take the nuclear deterrence mission seriously. There are many causes for this that are beyond the scope of this paper, but the key changes in policy are reflected in Secretary Gate's statement that the nuclear weapons “stewardship remains our most sensitive mission.” Moreover, Secretary Gates observed that, “As Russia and China continue to modernize their strategic nuclear capabilities, as Iran drives relentlessly toward a nuclear weapons capability, as proliferation of weapons of mass destruction continues to be a challenge, a smaller yet still powerful nuclear deterrent remains an essential component of our national defense.”64 Secretary Gates pointed at the Russian strategy of using nuclear weapons in limited war and linked that specifically to our requirements: “So, to the extent that they rely more and more on their nuclear capabilities, as opposed to what historically has been a huge Russian conventional military capability, it seems to me that it underscores the importance of our sustaining a valid—a nuclear deterrent—a modern nuclear deterrent.”65 The Russian invasion of Georgia is a clear turning point. Domination of the former Soviet states was always a Russian objective. This was never the case, and the invasion Georgia has raised the possibility that Russia will use force against former Soviet or Warsaw Pact states. Russian journalist Alexander Golts summed up the current situation: “For the first time in several years the members of this group adopted a political statement without Moscow's participation. The reason is clear: the statement was addressed to Moscow. The foreign ministers of the United States, Great Britain, France, Japan, Germany, Canada, and Italy are sternly demanding that Russia agree to the Georgian cease-fire proposals … And really, why should Russia, which has risen from its knees and gotten into a tank, now participate in all these G8s? After all, Vladimir Putin, 'our forever,' is temporarily unable to attend the summits.”66 The Russian invasion of Georgia, which apparently was planned long before the August 2008 incident that started the war67 and was clearly aimed at territorial expansion by military force, brings to the fore the special relationship Russia has with the rogue states. In the words of Alexander Veytsman, “Russia thus chose to form strategic alliances with Iran, North Korea, pre-2003 Iraq, Syria, Venezuela and even Hamas. Some came in the form of semitransparent arms deals, as in the cases of Iran and Syria. Some led to greater energy ties, like with Hugo Chavez's Venezuela. Paralleling those partnerships, Russia maintained an ostensibly stable relationship with the United States, which is a necessary precondition for successful triangular diplomacy.”68 Notionally, the Russian government opposes proliferation. The 2006 Russian White Paper on Proliferation states a view of the threat that is not much different than the Western view.69 However, an unstated caveat is that this policy is to be supported as long as a lot of money is not lost due to the nonproliferation policy and the threat resulting from proliferation is seen in Moscow as being directed toward the West. On March 16, 2002, then Deputy Secretary of Defense Paul Wolfowitz noted that: “… our issues with Russia and China are issues about proliferation. And in some cases we think it's proliferation that may be actively approved by the government. In some cases it's companies that operate out of control of the government.”70 While the economic motivation has been the main factor in Russian arms and technology sales, residual Cold War attitudes also undeniably shape policy. According to Russian journalist Nikolay Poroskov, “The so-called 'hawks' perceive three global sectors as threats: the Muslim world today, China in the distant future, and the West as early as tomorrow.71 Indeed, in the aftermath of the Russian invasion of Georgia, The Sunday Times of London reported that, “Russia is considering increasing its assistance to Iran's nuclear programme in response to America's calls for NATO expansion eastwards and the presence of US Navy vessels in the Black Sea delivering aid to Georgia,” and quoted a Russian source as saying, “Russia will respond. A number of possibilities are being considered, including hitting America there where it hurts most—Iran.”72

**That war goes nuclear.**

**Engdahl, '9** [F. William, " The Caucasus —Washington Risks nuclear war by miscalculation" Global Research, http://www.globalresearch.ca/index.php?context=va&aid=9790]

So far, each step in the Caucasus drama has put the conflict on a yet higher plane of danger. The next step will no longer be just about the Caucasus, or even Europe. In 1914 it was the "Guns of August" that initiated the Great War. This time the Guns of August 2008 could be the detonator of World War III and a nuclear holocaust of unspeakable horror. Nuclear Primacy: the larger strategic danger Most in the West are unaware how dangerous the conflict over two tiny provinces in a remote part of Eurasia has become. What is left out of most all media coverage is the strategic military security context of the Caucasus dispute. Since the end of the Cold War in the beginning of the 1990’s NATO and most directly Washington have systematically pursued what military strategists call Nuclear Primacy. Put simply, if one of two opposing nuclear powers is able to first develop an operational anti-missile defense, even primitive, that can dramatically weaken a potential counter-strike by the opposing side’s nuclear arsenal, the side with missile defense has "won" the nuclear war. As mad as this sounds, it has been explicit Pentagon policy through the last three Presidents from father Bush in 1990, to Clinton and most aggressively, George W. Bush. This is the issue where Russia has drawn a deep line in the sand, understandably so. The forceful US effort to push Georgia as well as Ukraine into NATO would present Russia with the spectre of NATO literally coming to its doorstep, a military threat that is aggressive in the extreme, and untenable for Russian national security.

### Air Power k2 Heg

**Air power sustains U.S. leadership and makes power projection credible**

Hazdra 1 – Major USAF

Richard, Major – USAF, Air Mobility: The Key to United States National Security Strategy, Fairchild Paper, August, http://aupress.au.af.mil/fairchild\_papers/Hazdra/Hazdra.pdf

In shaping the international environment, the United States must possess a credible military force where military activities include overseas presence and peacetime engagement and the will to use military force.2 According to the NDP, overseas presence is the key to a stable international environment.3 Peacetime engagement includes rotational deployments that help sustain regional stability by deterring aggression and exercises with foreign nations that solidify relations with those nations.4 Deployments and exercises both require air mobility in the form of both airlift and air refueling in order to transport the necessary troops and equipment. Peacetime engagement also includes other programs such as the Nunn–Lugar Cooperative Threat Reduction Program where the United States assists members of the Commonwealth of Independent States in dismantling and storing WMD.5 Here, air mobility is the lead component by transporting nuclear weapons to the United States from compliant nations. Airlift also plays a crucial role in responding to threats and crises by enhancing our war-fighting capability.6 The United States may move some forces nearer to a theater in crisis and rapidly deploy other forces into that theater. Depending on the crisis, forces from the Army, Navy, Air Force, Marines, or any combination of military personnel and equipment could comprise the force structure required. Consequently, the United States must airlift these forces along with the needed logistics support. In addition, the focused logistics concept of Joint Vision 2010 requires the transportation of supplies and materials to support these forces within hours or days rather than weeks, a mission solely suited to air mobility. In responding to crises, forces may deploy in support of smaller-scale contingencies which include humanitarian assistance, peace operations, enforcing NFZs, evacuating US citizens, reinforcing key allies, limited strikes, and interventions. 7 Today, US forces find themselves globally engaged in responding to these contingencies more frequently and maintain longer-term commitments to support these contingencies. In these situations, many deployments occur in the absence of forward basing.8 The loss of forward basing has reduced AMC’s worldwide infrastructure from 39 locations in 1992 to 12 in 1999.9 Thus, the United States must again use air mobility to deploy forces overseas in a minimum amount of time for an operation to be successful.

**American air power decline is inevitable in the status quo – solving it is key to global power projection**

**Auslin, 10** (Michael, resident scholar in foreign and defense policy studies at the American Enterprise Institute, August 19, 2010, “Make No Mistake, Air Power Keeps Us Safe,” Fox News, http://www.foxnews.com/opinion/2010/08/19/michael-auslin-air-force-pearl-harbor-japan-hawaii-dominance-hickam-robert/, DJH)

Yet, America is at risk of forgetting the lessons of the opening act at Pearl Harbor. If current trends continue, the U.S. may lose our air dominance, imposing untold costs on our servicemen and women around the globe. The Japanese attack on Hickam, Wheeler, and Bellows Fields is the forgotten story of Pearl Harbor. Like millions of tourists, I visited Pearl’s naval memorial sites, including the battleship USS Missouri and the somber USS Arizona Memorial. The new visitor’s center at the naval base provides an excellent introduction to the tragedy of that day, with explanatory markers and films (along with a huge gift shop designed to appeal to everyone). The short boat ride to the Arizona and the bus ride to the Missouri on Ford Island are equally quick and efficient. Yet most visitors hardly are aware that the attacks of December 7 began not at the naval base, but on the airfields located adjacent to the base and around Oahu. The Japanese attacked Hickam and its sister fields first for one simple reason: they had to control the skies or risk the failure of their plan. The Imperial Japanese Navy may have delivered the strike force to the waters off Hawaii, but success hinged on avoiding an air-to-air fight that could have decimated the invaders. As the scars at Hickam show, the Japanese prevailed, destroying U.S. Army Air Corps fighters and bombers on the ground. The planes, famously, had been parked wingtip to wingtip, the better to guard against sabotage. In the slaughter, a few P-36 and P-40s managed to get off the ground, engaged the enemy in dogfights, and ultimately downed 10 Japanese planes. Yet for men on the ground, the attack was merciless. What is today Pacific Air Forces H.Q. was on December 7 the main barracks, housing 3,200 men. The mess hall and roof took direct hits and today, after passing the very flag that flew on that morning, one walks through the interior courtyard, looking at hundreds of shrapnel and bullet holes on all walls. One interior metal staircase still boasts two bullet holes in its steps, mute testimony of the lack of hiding places on that bloody day. In all, 244 American servicemen were killed at the three airfields, and another 450 were wounded, while 76 aircraft were destroyed. With control of the skies assured, the attack then moved on to the naval base, devastating the Pacific Fleet and inflicting massive casualties, including 1,177 men on the Arizona and 429 on the USS Oklahoma alone. Such are the costs of not having air dominance. America learned the lesson of Hickam Field well and built a balanced combat force during and after the war that ensured U.S. air superiority for the next 70 years. Fighters, bombers, lift, and tankers all meshed to form an air shield over U.S. interests in peacetime and troops in wartime. The last time an American soldier was strafed on the ground by enemy air forces was in the Korean War. This air dominance has effectively removed an entire layer of operational planning from U.S. campaigns, as the U.S. Air Force can concentrate on directly attacking enemy forces and supporting ground troops and not worry about enemy air forces. Yet since the fall of the Soviet Union and in the counterinsurgency wars that define Iraq and Afghanistan, air superiority has not been an issue. Unfortunately, the result is an increasing neglect of America’s air forces. As much as the Navy, the Air Force provides a unique global reach and presence for America. Indeed, given the vast distances the U.S. must cover in order to fight wars, provide humanitarian assistance, and keep an eye on crisis spots, the Air Force is even more crucial in ensuring timely, nearly instantaneous response. But in current defense plans, the Air Force has to keep flying 30-year old fighters until the new F-35 comes on line only slowly later in this decade. In the meantime, it will retire 250 F-15s and F-16s before they can be replaced by the F-35, putting further stress on combat readiness and ability to contribute in Afghanistan. Last year, the White House killed the F-22 program, prematurely ending production of the most advanced fighter in the world, and leaving Air Force commanders with a fraction of the F-22s they need to ensure air superiority and to use as the most flexible intelligence asset in the sky. Bombing runs are carried out by bombers built as long ago as the early 1960s, and our planes are refueled by half-century old tankers. Secretary of Defense Robert Gates canceled, then restarted the next generation bomber program, meaning there will be no new bomber at least until 2025, and the Pentagon has been trying to kill the C-17, America’s most advanced transport plane, even as demand for airlift operations is prematurely aging the fleet. Some may question why the U.S. needs such a large air force, when no other country has even a fraction of our capabilities. But no other nation has America’s global responsibilities, either. A modern, balanced air force is a central ingredient in America’s defense strategy, and is the prerequisite to being able to intervene in the earliest stages of a conflict. Moreover, American airmen will soon face more capable adversaries, as other nations are building up their air forces, most notably China, which is introducing advanced fighter aircraft and new weapons designed to keep U.S. aircraft carriers at bay, and Russia, which has just test flown a fifth-generation challenger to America’s F-22. Even more worrisome, countries such as Iran and North Korea are installing integrated air defenses that only our tiny fleet of F-22s can be assured of penetrating. Our capability of entering any airspace we want to will be steadily degraded in coming years, reducing the credibility of our defensive alliances with countries such as South Korea and Japan. In response to these trends, the Pentagon and Air Force need to come up with a comprehensive recapitalization program and adequately fund research, development, procurement, and fielding of a balanced fleet. The F-35 should be aggressively produced, but the Defense Department needs to re-evaluate whether America's future fighter force will be able to the high-end jobs required. In addition, planning for the next generation bomber must quickly move ahead, the Air Force must resolve the long-running tanker replacement debacle, and adequate funds for the full C-17 program should be ensured. In short, the budget ax being wielded by Secretary Gates must not chop down the supports on which America's first line of defense rests. In this, Air Force leadership is needed to make the case in the halls of Congress and on Main Street as to the necessity of American airpower to our global role. American air forces may keep their superiority for another decade or two, but without a comprehensive commitment to maintaining air superiority, U.S. soldiers, sailors, and Marines may one day no longer operate under friendly skies. That would present a future president with very difficult choices over how many casualties he would be willing to incur to protect American interests.

**Air power’s awesome for hegemony but a sustained commitment is key**

**Eaglen and Birkey, 12** (Mackenzie, resident fellow at the American Enterprise Institute, \*AND Douglas A., director for government relations, at the Air Force Association, March 21, 2012, “Nearing Coffin Corner: US Air Power on the Edge,” American Enterprise Institute, http://www.aei.org/files/2012/03/21/-national-security-outlook-march-2012\_133237930128.pdf, DJH)

Preparing Comprehensively for the Future

Whether in the Asia-Pacific domain or elsewhere, putting US military personnel in harm’s way when alternate means exist for securing national priorities does not typically serve America’s interests. This requires focusing policy and resource priorities on using peaceful avenues to favorably influence other nations. Taking positive and proactive action to shape events on the ground means US leaders must continue to build and maintain alliances with nations that share common interests and will partner to realize mutual regional policy goals. **Air power presents many opportunities for cultivating these associations**. Whether conducting training exercises, promoting regional stability through joint operations, or supporting disaster recovery and humanitarian relief efforts, American and allied airmen are uniquely situated to project smart, effective, and positive power. This requires putting work into building enduring relationships over time, not scrambling in a crisis to create them overnight. Considering that air power can be deployed and sustained through minimal forward troop presence, such cooperative engagement has the advantage of focusing on desired regional effects without many of the liabilities associated with occupation by land forces. Also, given the scale and scope of the Asia-Pacific region, air power’s range and speed enables a discrete number of assets to engage across the theater on a sustained basis. However, these alliances will be successful only if they are built on robust policies underwritten by well-equipped forces. Allies’ commitment to the United States and its interests depends directly on their perceptions regarding American presence, staying power, and resolve. When cooperation is not possible, US leaders must have the capability and capacity to discourage and ultimately deter potential adversaries from threatening American interests. Whether alone or in concert with allied partners, American air power affords many policy options through its daily missions: • Airlift and aerial refueling ensure regional and global mobility. • Intelligence, surveillance, and reconnaissance assets provide critical data to inform the decision-making process. • Air superiority ensures access throughout the global commons for all US forces. • The ability to strike anywhere around the globe at will holds targets at risk. • Nuclear forces provide an umbrella of protection for allied states and US forces. However, efforts to change the calculus or behavior of potential adversaries are effective only if they are credible. Securing interests through peaceful influence demands robust capability and capacity, including adequate quantity of forces. Failing to make such investments encourages regional instability that may lead to miscalculation and ultimately conflict.

**Air Power’s key to hegemony – variety of strategies**

**Douglas, 02** – Department of Political Science at Columbia University (Francis “Scott” Colin, Paper Prepared for presentation at the 2002 ISA Annual Convention, “Hitting Home: Coercive Theory, Air Power, and Authoritarian Targets,” http://isanet.ccit.arizona.edu/noarchive/douglas.html, DJH)

Logically air power should hold pride of place within both the political science and policy-oriented study of coercion. Since aircraft can strike a wider array of targets than land or sea-bound forces, Robert Pape argues the study of air power can cut to the core of the larger coercion debate because it "most cogently reveals the relative effectiveness of different coercive strategies." (Pape Bombing to Win 39) As Pape goes on to argue, Unlike land power, [air power] can reach deep into the enemy's homeland from the outset of a conflict, and it promises to achieve its effects at sharply lower cost in lives than land power. Unlike sea power, bombing can focus on specific categories of targets, attacking either political, economic, population, or military targets in isolation or combination. Given adequate intelligence, air power can also attack selective target sets within these categories, which can be helpful if, for example, there are bottlenecks in key industries.(Bombing to Win 45) Therefore, analyzing the success or failure of air campaigns provides more than policy-relevant answers to a narrow military question; it provides a rigorous test of different coercive theories which have been operationalized for real-world application. Air campaigns also warrant close study because they are becoming the military tool-of-choice for statecraft, particularly for the United States. As Eliot Cohen notes, "air power is an unusually seductive form of military strength, in part because, like modern courtship, it appears to offer gratification without commitment." (Cohen Mystique of US Air Power 109) Raising the stakes even further, Cohen recently argued that air power as seen in its recent incarnation over Kosovo begins to reveal the strengths and limitations of the emerging "New American Way of War." (Cohen Kosovo and the New American Way of War in Bacevich & Cohen)

**Air power is key to the military**

**Auslin, 12** (Michael, resident scholar in foreign and defense policy studies at the American Enterprise Institute, May 7, 2012, “Flying Not Quite as High,” The Weekly Standard, http://www.weeklystandard.com/articles/flying-not-quite-high\_642187.html?nopager=1)

Unfortunately, the president’s goals cannot be met by the ends he proposes. In particular, the administration’s plans will demand a much greater role for the airpower capabilities of both the Air Force and Navy. Yet under current plans both services will see their qualitative and quantitative air edge over competitors shrink, as they lose airplanes, operate an aging force, and face greater threats from adversaries. Already the functions of the Air Force underpin everything America’s Joint Force does, from surveillance to transport, and from close combat to cyber defense. Airpower advocates point to the sea- and land-based air destruction of Saddam Hussein’s military in the 1991 Gulf war, the 1999 Allied Force air campaign against Yugoslavia, and last year’s action in support of the Libyan rebellion as proof of how airpower can overcome an enemy’s order of battle, command and control, and warfighting spirit. At the same time, airpower dominance allows us to deploy minimal numbers of combat ground forces and reduces civilian casualties and collateral damage. The success of Western airpower in recent wars, however, had a foreseeable result: Potential adversaries are investing in systems that prevent access to their airspace. During the 2008 Russian invasion of Georgia, the U.S. Air Force faced a Russian air defense “no-go zone” that it could not penetrate or could have penetrated only at unacceptable cost. The lesson is simple: To survive an attack on your homeland or forces, deny the United States control of the air. Russian-made sophisticated multi-layered integrated air defense systems (IADS) present the greatest threat. These comprise rapidly deployable and movable surface-to-air missiles (SAMs) and launchers, engagement and acquisition radars, over-the-horizon radars, high-speed data links and computer networks, variable wave radio frequency transmitters, and the like. The most advanced systems can track and engage targets out to 250 miles, thereby pushing Western air forces farther out from enemy territory. The missiles an adversary can field will almost always outnumber the planes that the U.S. Navy and Air Force can put in the air. These IADS are already deployed by China and Russia, and countries such as Iran and North Korea continue to invest in air defense systems. Even older model mobile SAMs can be lethally accurate and difficult to destroy. In addition, advanced Russian and Chinese tactical fighter aircraft, such as the Su-30 and its variants, and one day fifth-generation models like the PAK-FA or J-20 can provide a formidable air-to-air capability that will interdict U.S. planes far away from the field of battle or critical command and control nodes. These integrated defenses will threaten U.S. military planners with the prospect of unacceptable losses. Indeed, the likelihood of inflicting massive casualties on American ground troops and air forces may well serve to deter American intervention in the first place. The bad news for the Pentagon is that it has few arrows in its quiver. Not only will the Air Force shrink by 500 planes from previous plans, but existing IADS in Russia and China already may prove impermeable to all U.S. airplanes except the F-22 stealth fighter and B-2 stealth bomber. Older U.S. fighters, such as F-15s, F-16s, and carrier-launched F-18s, would be at high risk if tasked with penetrating such airspace or destroying such IADS. And despite superior training, our pilots will be coming up against increasingly modern and advanced fighters in U.S. warplanes many of which are 30 years old. There will be only up to 140 combat-capable F-22s, after the Obama administration and Congress killed production of the plane in 2009. It is unclear, moreover, how survivable the F-35 Joint Strike Fighter will be in heavily contested airspace, given its slower speed and constricted performance relative to the F-22. Our few B-2 bombers—we have only 20 of them—operate from extreme intercontinental distances, thus reducing the number of sorties they can carry out against multiple targets. As for standoff weapons such as the Tomahawk cruise missile, it is a needed part of the U.S. arsenal, but cannot be retargeted once launched, and thus is of less use against mobile SAM launchers. Nor does the unmanned aerial vehicle (UAV) revolution change things, as today’s remotely piloted drones cannot survive in highly defended airspace. Yet the president’s plans will almost necessarily make us more dependent on airpower. If the Obama administration wants to rely on airpower for future U.S. military success, then the already delayed and increasingly expensive F-35 must prove to be survivable within the IADS envelope; if not, then the Pentagon should trim the planned number of F-35s and restart the F-22 line (despite the cost), further enhancing the F-22’s air-to-ground attack capabilities. The Air Force must also build a stealthy and survivable next generation Long Range Strike Bomber in sufficient numbers (at least 200) to carry out any global mission. The military also needs to invest in better electronic warfare capabilities, such as that represented by the Navy’s EA-18G Growler. And, as the recent loss of an unmanned spy drone over Iran showed, we need to develop better advanced stealthy remotely piloted aircraft for reconnaissance and attack missions and electronic jamming. Warfighting is becoming more risky as authoritarian regimes modernize their forces. If the United States wants to retain the ability to respond successfully to crises across the globe with a leaner and more cost-effective force, then our leaders must recognize that maintaining control of the air is the starting point for U.S. military supremacy.

**Air power’s on the decline and now is key – it’s key to the military**

**Eaglen and Birkey, 12** (Mackenzie, resident fellow at the American Enterprise Institute, \*AND Douglas A., director for government relations, at the Air Force Association, March 21, 2012, “Nearing Coffin Corner: US Air Power on the Edge,” American Enterprise Institute, http://www.aei.org/files/2012/03/21/-national-security-outlook-march-2012\_133237930128.pdf, DJH)

Air power stands as a cornerstone of the Obama administration’s recent decision to prioritize defense efforts in the Asia-Pacific region. To make this strategy successful, the administration and Congress must ensure the nation has the necessary capabilities and capacity to secure national interests in an area defined by vast distances, limited basing options, and a pronounced threat to assured access. This means real investments—not budgeting sleights of hand that dilute America’s presence in other vital areas around the globe—and the ability to maintain strength across the national security portfolio. Though the United States currently dominates the skies, this will not continue if resources are spread too thin and are inadequate to meet potential threats. Despite the considerable costs, policymakers must invest in the necessary assets and capabilities to be prepared to effectively defend US interests in the Asia-Pacific region. The administration’s decision to prioritize the Asia-Pacific region represents an important step forward in realigning military forces with America’s global interests. It follows the wisdom of the 2010 Quadrennial Defense Review Independent Panel, led by William J. Perry, Bill Clinton’s secretary of defense, and Stephen Hadley, George W. Bush’s national security adviser, which found: The force structure in the Asia-Pacific area needs to be increased. In order to preserve U.S. interests, the United States will need to retain the ability to transit freely the areas of the Western Pacific for security and economic reasons. The United States must be fully present in the Asia-Pacific region to protect American lives and territory, ensure the free flow of commerce, maintain stability, and defend our allies in the region.1 However, the credible projection of effective and sustainable power requires more than rhetoric. It also requires investments in capabilities and capacity to protect America’s interests in the region. Air power uniquely affords leaders the ability to wage mobile and adaptive campaigns that maximize economy of force relative to wars based on attrition and occupation. However, policymakers must not assume continued de facto US preeminence in the skies. Combat operations in the Asia-Pacific would require an ample inventory of aircraft with adequate range, speed, and stealth. This does not mean limited “silver bullet” fleets that try to perform nearly every mission with only a few select aircraft. After two decades of deferred programs and curtailed buys in key platforms, America’s combat air assets are worn out and spread too thin. The Obama administration and Congress must prioritize recapitalizing these capabilities with robust investment in the next-generation bomber; the F-35 Joint Strike Fighter Program; the KC-46 aerial refueling tanker; F-22 modernization; long-range, low-observable, carrier-based strike platforms; and joint electronic warfare capabilities. Diversified logistics lines, air base resiliency, carrier battle group defenses, vigorous cyber capabilities, strong command and control networks, and robust data links will also be critical enablers for the entire joint force. Although these capabilities require considerable investments, the price of unpreparedness is even greater. Should the United States find itself underequipped in a future conflict, it simply will not be possible to rapidly design, develop, and field modern weapons systems and their requisite support elements. The assets and associated infrastructure we acquire today will govern the options available to the nation’s decision makers for decades into the future.

## \_\_\_\*\*Add’l Aero Impacts

### Turns Case – Funding

**Collapse of airlines reduces government revenue - turns case**

**BTC, 08** - advocacy organization to bring transparency to industry and government policies and practices so that the managed travel community could influence issues of strategic importance to their organizations. BTC represents the interests of the managed travel community in Washington and Brussels and within the travel industry. Chairman Kevin Mitchell is a graduate of Saint Joseph’s University in Philadelphia where he received a Bachelor’s Degree in International Relations. (Business Travel Coalition, “Beyond the Airlines’ $2 Can of Coke: Catastrophic Impact on the US Economy from Oil-Price Trauma in the Airline Industry”, June 23, 2008, http://businesstravelcoalition.com/campaigns/consolidation/beyond\_$2\_coke.pdf)//CH

Airlines and their well-paid employees contribute significantly to many tax coffers. Instant unemployment of thousands of workers and the loss of excise, use and other airline-paid taxes would be bad news for state and local governments already struggling with declining revenues from the softening U.S. economy. Here, too, the impact would be greatest in the failed carrier’s headquarters city, its hubs and major markets and facilities. American Airlines, for example, is the largest private employer in Oklahoma, thanks to the almost 7,000 employees at its main overhaul base in Tulsa. In addition, as noted, visitor spending in destinations contributes significant revenues through hotel, use, and sales taxes. Furthermore, these revenues are often earmarked for city projects – stadiums, parks, police, and of course, tourism promotion. Concurrent with a decline in tax revenues, the impacted employees (and, in some jurisdictions, businesses) would immediately place demands on public funds, through unemployment compensation, retraining programs (where offered), and public hospitals and health-care resources. And these would be in the very cities and states least able to afford the expense because of the loss of tax revenues. Furthermore, significant job loss inevitably produces social dysfunction like rising crime, which in turn costs governments and taxpayers. Assuming the customary duration (26 weeks) and average benefit, unemployment relief for 100,000 jobless would cost almost $800 million.

### Turns Case – K Affs

**Failure of airlines will spill over to multiple sectors including minority/women owned businesses**

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Among major carriers, typically 50%-60% of total operating expenses goes to companies and public entities that provide the range of products and services a large airline uses: aircraft, jet fuel, landing fees, advertising and promotion, construction services, software, maintenance supplies, and many others. Both Boeing and Airbus recently noted the likely impact of the upward fuel spike on future aircraft orders, referring to reductions among surviving companies, not the impact of a failure, which would be even greater. In the public sector, failure would have far-reaching effects on hub-airport operators, up to and including default on bonds sold to finance airport expansion or renovation. In an effort to be good corporate citizens, many airlines have committed significant shares of their purchases to minority and women-owned (MWBE) firms, and these companies would also suffer in a collapse.

### Aero k2 Econ – 2nc

**Economic leadership – Aerospace competitiveness drives economic growth – purely private sector approaches guarantee failure**

Hernnstadt 8 – Director of Trade and Globalization @ IAMAW

Owen, director of the Trade and Globalization Department, International Association of Machinists and Aerospace Workers, “Offsets and the lack of a comprehensive U.S. policy,” Economic Policy Institute, http://www.sharedprosperity.org/bp201.html

Aerospace is an especially important industry for a nation's economic and physical security, and perhaps no other country has benefited more from the aerospace industry than the United States.9 The Final Report of the Commission on the Future of the United States Aerospace Industry states that the industry "contributes over 15 percent to our Gross Domestic Product and supports over 15 million high quality American jobs" (Aerospace Industry Commission 2002, 1-2). U.S. aerospace has been identified as a major source of "technical innovation with substantial spillovers to other industrial and commercial sectors" and "high-wage employment, which spreads the benefits of rising productivity throughout the U.S. economy.…" The Aerospace Commission also noted the industry's contribution to the nation's "economic growth, quality of life, and scientific achievements…." (Aerospace Industry Commission 2002, 1-2). Despite the importance of aerospace, the deterioration of the industry at home has continued at a dramatic rate. Nearly 500,000 jobs have been lost in the U.S. aerospace industry since 1990 (Aerospace Industry Commission 2002, 8-12; see also AIA 2007), and several hundred thousand more workers have lost their jobs in related industries. Sadly, the fact of these enormous job losses comes as no surprise. More than 10 years ago, in Jobs on the Wing, authors Randy Barber and Robert Scott predicted that "up to 469,000" jobs in the aerospace and related industries "could be eliminated by 2013 because of offset policies and increased foreign competition" (Barber and Scott 1995, 2). In a later study, Scott predicted that by 2013 the industry would suffer a loss of over 25% "of the total jobs in aircraft production in 1995" (Scott 1998). These gloomy predictions are apparently reinforced by U.S. government reports. According to the Department of Labor, the outlook for employment in the U.S. aerospace industry is not rosy: between 2002 and 2012 aerospace employment in the United States will "decrease by 18 percent" (U.S. Department of Labor 2004). The future health of the industry depends in large part on its ability to attract new workers, but the crisis in employment and the prediction that the crisis will deepen does not bode well for attracting new workers. In its final report, the Aerospace Commission summarized this concern: The U.S. aerospace sector, once the employer of choice for the "best and brightest" technically trained workers, now finds it presents a negative image to potential employees. Surveys indicate a feeling of disillusionment about the aerospace industry among its personnel, whether they are production/technical workers, scientists or engineers. The majority of newly dislocated workers say they will not return to aerospace. In a recent survey of nearly 500 U.S. aerospace engineers, managers, production workers, and technical specialists, 80 percent of respondents said they would not recommend aerospace careers to their children. (Aerospace Industries Commission 2002, 8-5) While the Aerospace Commission found that "U.S. policy toward domestic aerospace employment must reaffirm the goal of stabilizing and increasing the number of good and decent jobs in the industry," this policy has yet to be embraced, let alone implemented (Aerospace Industries Commission 2002, 8-12). Far from embracing any sort of effective industrial policy when it comes to aerospace, the U.S. government continues to relegate policy development in this area to private parties, just as it does with offsets in general. The inherent weakness to this approach is obvious—private U.S. companies must compete with foreign companies that have the full support of their governments. If a sale means transferring production and/or technology, private companies are in a difficult position. Given that their interests do not always align with the national interest, they can be expected to maximize corporate returns, even though the use of offsets, which can deeply affect an industry as essential to the nation's economy and security as aerospace, can be detrimental to U.S. national interests. Should there be any doubt about the seriousness of the competition from foreign entities and governments, one has only to look at the success of companies like EADS. What were once fledgling industries are now U.S. competitors who benefit from a sophisticated approach to offsets that moves jobs and technology their way.10 As succinctly stated by the Aerospace Commission, "…foreign nations clearly recognize the potential benefits from aerospace and are attempting to wrest global leadership away from us" (Aerospace Industries Commission 2002, 1-2). A country that truly understands the importance of adopting a comprehensive aerospace policy based on offsets is China. As reported in the 2005 Report to Congress of the of U.S.-China Economic and Security Review Commission, "…Chinese firms have used their leverage to extract offsets—agreements to transfer some of the aircraft production along with related expertise and technology—as part of the deals"; the report further concludes, "China nurtures its domestic aviation and aerospace industry by exploiting the international competition already in the industry" (U.S.-China Review Commission 2005, 30). Indeed, as summarized in one U.S. government report: China is likely to be the largest customer—and possibly an emerging competitor—of the U.S. aerospace industry in the future. China's aerospace manufacturing base is enormous. U.S. companies (and European companies to a lesser extent) have successfully partnered with Chinese companies that provide components or parts for a number of commercial aerospace programs. However, China also is seeking to become a world-class prime commercial aerospace manufacturing industrial base, both through indigenous development programs and joint ventures with non-Chinese companies. (U.S. Department of Commerce 2005b, xii) In testimony in 2001, the International Association of Machinists and Aerospace Workers (IAM) singled out China for developing an effective industrial policy in an effort to create its own aerospace industry. It noted in its testimony that the U.S. International Trade Commission had already found with respect to China, "…the nation's aviation sector intends to pursue a principal role in commercial aircraft manufacturing."11 During a 1998 visit to China to tour aerospace facilities, IAM participants observed the country's enormous aerospace capacity.12 China's aviation industry "consists of more than 200 enterprises that produce and manufacture products such as aircraft, turboprop engines, aircraft components and subsystems, helicopters, industrial gas turbines, and various electromechanical products" (U.S. Department of Commerce 2005b, 58). China's huge industrial capacity has been noted by other observers as well.13 For example, one research group notes that in China there are six companies devoted to "airframe assembly," eight "engine" companies, 28 entities involved with "components," and 20 "research institutes."14 The two leading aircraft companies in China (China Aviation Industry Corporation I [AVIC I] and Aviation Industry Corporation II [AVIC II]) "and their subsidiaries have about 491,000 employees" (U.S. Department of Commerce 2005b, 5815). How did China develop such a huge capacity for aerospace production? While there are many different and related methods China uses, a significant one is offsets.16 As globalization critic Jeff Faux said in testimony to Congress, "China is one of the most aggressive countries in pursuing offsets agreements and, with its market potential and minimal labor standards, it has substantial leverage in negotiating these agreements" (Faux 2002). And as a business person told the Wall Street Journal, "they're interested in having total access to technology…."17 Of particular concern to the United States is the huge involvement of Boeing in China, an involvement the company acknowledges. According to its Web site: "Boeing procurement from China is significantly greater than other aviation companies" (Boeing 2007). According to company summaries: Since the 1980s, Boeing has purchased more than $1 billion in aviation hardware and services from China. Approximately 4,500 Boeing airplanes with parts and assemblies built by China are flying throughout the world today. Boeing and Boeing supplier partners have active supplier contracts with China's aviation industry valued at well over $2.5 billion (Boeing 2007). A detailed listing illustrating Boeing's extensive procurement activities, production work, and supplier involvement in China appears in the appendix. According to a news report, "Boeing is expanding its relationship with China through plans to double its annual purchases from Chinese companies over the next six years to more than $1 billion per year by 2010" (U.S. Department of Commerce 2005b, 59, citing Business Daily Update, "Boeing Seeks Higher-Level Cooperation With Chinese Suppliers"). Boeing is, of course, just one of many aerospace companies investing in China's aerospace industry; another is Boeing's chief rival, Airbus. As quoted in The Australian ("Airbus Enlists China," June 14, 2004), Airbus Chief Executive Noel Forgeard explained his company's philosophy with respect to China: "Airbus is not only selling aircraft in China but is also committed to the long-term development of China's aviation industry." The Australian also reported that parts of the A380 will be produced in China: European aircraft maker Airbus has subcontracted a state-owned Chinese manufacturer to make parts for its super-jumbo A380 plane, in a deal worth about $170 million. China Aviation Corp. I (AVIC I) will make panels for A380 nose-landing gear….China's Shenyang Aircraft Corp., affiliated with AVIC I, would also be subcontracted to make A330/A340 forward-cargo door projects….Five Chinese companies are now making parts for Airbus. The New York Times reported that Airbus is committed "to buy at least $60 million yearly in parts from China by 2007, rising to $120 million yearly by 2010."18 According to other news reports, China will "build wing boxes for Airbus" in a $500 million deal,19 and Airbus and China have agreed on "a $9 billion order…for 150 narrow-body A320 aircraft, and said they would study the possibility of building a final assembly line for the aircraft in China."20 That study apparently produced positive results; as stated in an Airbus press release ("Joint Venture Contract Signed for the A320 Family Final Assembly Line in Tianjin," June 28, 2007): "The FAL [final assembly line] in Tianjin will be based on the latest state-of-the-art Airbus single-aisle final assembly line in Hamburg, Germany. The aircraft will be assembled and delivered in China to the same standards as those assembled and delivered in Europe." The significance of such a development cannot be overstated: "the memorandum of understanding between China's National Development and Reform Commission and Airbus…meant that China was likely to become only the third country assembling Airbus aircraft, after France and Germany."21 Brazil's aerospace industry is also teaming up with China. "In order to supply its domestic market while continuing to learn how to assemble a modern, complete aircraft to Western standards, two AVIC-II companies teamed with Embraer…in 2002 for co-production of their regional jet (ERJ-145) in Harbin" (Andersen 2008). Eurocopter, a subsidy of EADS, is also involved with China's aerospace industry. "France's Eurocopter and Singapore Technologies Aerospace have signed with Hafei Aviation, a listed arm of one of China's top military contractors, to make helicopters for domestic civil use."22 China's aerospace industry is apparently not content to maintain its current level of success. According to news reports, "China is likely to start developing its own large aircraft rather than rely solely on foreign giants Boeing and Airbus…."23 The country recently announced that it would be entering the large civil aircraft industry in the next 20 years,24 and, according to news reports, much of the success of this effort depends on the transfer of production and technology from other countries, presumably in the form of outsourcing and offsets from U.S. and other aerospace companies. And according to a report in Jane's Defence Weekly, "China is developing a new stealthy fighter jet aircraft and many of the design concepts and components have already been created….This new aircraft is the first Eastern rival to the West's F/A-22 Raptor and F-35 Joint Strike Fighter to be put into development…."25 China's aerospace industry may even be expanding to space. In an article headlined "The Next Space Race: China Heads to the Stars," the New York Times (January 22, 2004) raises the possibility of a space race with China, noting: The Chinese plan to send more astronauts into space next year, to launch a Moon probe within three years, and are aiming to land an unmanned vehicle on the Moon by 2010…. Will the U.S. aerospace industry remain the strongest in the world? As other countries implement industrial policies based on outsourcing and offsets, the question becomes more urgent. Moves by countries like China to implement industrial policies targeting U.S. leadership in such essential industries as aerospace call for a response by U.S. policy makers. Even if China's aerospace industry remains behind that of the United States, it is poised to contribute to growing global competition. It has the capacity, skilled workforce, and the will to make this a reality. The virtually unregulated world of offsets only exacerbates this situation. While the U.S. government continues a hands-off approach to this market-distorting scheme, other countries are giving their companies significant backing based on well-developed industrial policies.

**The US aerospace sector’s key to the global economy**

**Slazer, 6/6/12** (Frank, Vice President, Space Systems Division, Aerospace Industries Association, June 6, 2012, “Ensuring American Space Launch Competitiveness,” Congressional Testimony to the Subcommittee on Space and Aeronautics, House Committee on Science, Space and Technology, http://science.house.gov/sites/republicans.science.house.gov/files/documents/hearings/HHRG-112-%20SY16-WState-FSlazer-20120606.pdf, DJH)

The Aerospace Industries Association (AIA) represents over 350 aerospace manufacturing companies and their highly-skilled employees. These companies make the spacecraft, launch vehicles, sensors, and ground support systems employed by NASA, NOAA, the Department of Defense, the National Reconnaissance Office (NRO), other civil, military and intelligence space organizations **throughout the globe**, and many of the commercial communication satellites. This industry sustains nearly 3.5 million jobs, including much of the high-technology work that keeps this nation on the cutting edge of science and innovation. The US aerospace manufacturing industry remains the single largest contributor to the nation's balance of trade, exporting $89.6 billion and importing $47.5 billion in relevant products, for a net surplus of $42. n1 billion.

**Aerospace is key to the American economy – jobs, innovation, and exports**

**AIAA, 10** (Aerospace Industries Association of America, September 18, 2010, “Aerospace and Defense: Second to None,” National Aerospace Week, http://www.nationalaerospaceweek.org/wp-content/uploads/2010/04/whitepaper.pdf, DJH)

As the U.S. economy continues to move through uncertain times and the nation grapples with a growing debt, America’s aerospace industry remains a powerful, reliable engine of **employment, innovation and export income**. Aerospace contributed $77.5 billion in export sales to America’s economy last year. 1 Conservatively, U.S. aerospace sales alone account for three to five percent of our country’s gross domestic product, and every aerospace dollar yields an extra $1.50 to $3 in further economic activity. 2 Aerospace products and services are the **bedrock of our nation’s** security and **competitiveness**. We strongly believe that keeping this **economic workhorse** on track is in America’s best interest. To accomplish this, government policies must support robust funding of defense priorities, research and development, a 21st century air traffic control system, a level playing field abroad and a robust industrial base. Additionally policies that promote science, technology engineering and mathematics (STEM) will help reenergize an aging aerospace workforce with an infusion of younger employees. This paper explains what’s at stake and how to ensure that the economic and national security benefits of our industry are bolstered and broadened. It’s particularly important this year. With sixty percent of aerospace sales dependent on federal contracts, ill-considered budget cuts could jeopardize our national security, civil and space transportation infrastructure and economy.

**The Aerospace industry is key to the US economy-jobs, GDP, major US companies**

**Platzer, ‘9** [Michaela Platzer, Specialist in Industrial Organization and Business “U.S. Aerospace Manufacturing: Industry Overview and Prospects”, 12/3/09, <http://www.dtic.mil/cgibin/GetTRDoc?AD=ADA511133&Location=U2&doc=GetTRDoc.pdf>, accessed 6/18/2012]

Aircraft and automobile manufacturing are considered by many to be the technological backbones of the U.S. manufacturing base. As the Obama Administration and Congress debate how to strengthen American manufacturing, aerospace is likely to receive considerable attention. Defense and commercial sides of the industry facing difficult business conditions for the near and medium term. This report primarily provides a snapshot of the U.S. commercial (non-defense, non-space) aerospace manufacturing industry and a discussion of major trends affecting the future of this industry. The large commercial jet aviation market is a duopoly shared by the U.S. aircraft manufacturer Boeing and the European aircraft maker Airbus, with fierce competition between these two companies. The regional jet market is dominated by two non-U.S. headquartered manufacturers, Brazil's Embraer and Canada's Bombardier, both of which utilize a high level of U.S.-produced content in their products. The general aviation market includes companies such as Cessna and Gulfstream. Aerospace manufacturing is an important part of the U.S. manufacturing base. It comprised 2.8% of the nation’s manufacturing workforce in 2008 and employed over 500,000 Americans in highskilled and high-wage jobs. More than half (61%) of the nation’s aerospace industry jobs are located in six states: Washington state, California, Texas, Kansas, Connecticut, and Arizona. Several smaller aerospace manufacturing clusters are found in states such as Florida, Georgia, Ohio, Missouri, and Alabama. Other aerospace centers are beginning to emerge in southern states, such as South Carolina, where Boeing is now building a second production line to produce the 787 Dreamliner. Aerospace manufacturing contributes significantly to the U.S. economy, with total sales by aerospace manufacturers (including defense and space) comprising 1.4% of the U.S. gross domestic product in 2008.

**The aerospace industry is key to the global economy-jobs, spillover to other industries and tech**

**Bugos ’10** [Glenn E Bugos, former Cal Institute Professor,president of the NASA Ames Research Center, “The History of the Aerospace Industry” 2010, <http://eh.net/encyclopedia/article/bugos.aerospace.industry.history>, accessed 6/18/12]

The aerospace industry ranks among the world's largest manufacturing industries in terms of people employed and value of output. Yet even beyond its shear size, the aerospace industry was one of the defining industries of the twentieth century. As a socio-political phenomenon, aerospace has inflamed the imaginations of youth around the world, inspired new schools of industrial design, decisively bolstered both the self-image and power of the nation state, and shrunk the effective size of the globe. As an economic phenomenon, aerospace has consumed the major amount of research and development funds across many fields, subsidized innovation in a vast array of component technologies, evoked new forms of production, spurred construction of enormous manufacturing complexes, inspired technology-sensitive managerial techniques, supported dependent regional economies, and justified the deeper incursion of national governments into their economies. No other industry has so persistently and intimately interacted with the bureaucratic apparatus of the nation state.Aerospace technology permeates many other industries -- travel and tourism, logistics, telecommunications, electronics and computing, advanced materials, civil construction, capital goods manufacture, and defense supply. Here, the aerospace industry is defined by those firms that design and build vehicles that fly through our atmosphere and outer space.

### Airlines k2 Econ – 2nc

**The Airline industry is directly related to the economy- statistics prove**

**DOT 11**- department of transportation federal aviation administration, (August, “The Economic Impact

of Civil Aviation on the U.S. Economy”, <http://www.faa.gov/air_traffic/publications/media/FAA_Economic_Impact_Rpt_2011.pdf>).

The economy grew 1.1 percent in 2001, but after the events of September 11, the demand for air travel fell 6.2 percent. The subsequent years continue to exhibit a similar pattern. Air travel demand increased 11.6 percent in 2004, just over three times the growth rate of the economy (3.6 percent), whereas in 2009, air travel demand dropped by 5.3 percent, twice that of the economy (-2.6 percent). However, preliminary data coming out of the recent recession show that the economy and demand for air travel growing at similar rates in 2010, 2.9 percent and 3.7 percent respectively. The aviation industry has shown flexibility and ingenuity, adopting innovative resource-saving and revenue-enhancing techniques during these challenging economic times. U.S. flagship air carriers had roughly 809 billion RPM in 2010, a 2.9 percent increase over 2009. The seat mile capacity of U.S. flagship air carriers grew by 1.7 percent from 975.3 billion available seat miles (ASM) in 2009 to 991.9 billion ASM in 2010. According to the Bureau of Transportation Statistics (BTS), the average roundtrip air fare (including taxes) increased 5.2 percent from $320 in the fourth quarter of 2009 to $337 in the fourth quarter of 2010. 7 The change in average fares was beneficial for airlines as they removed seat mile capacity from their networks and were able to post the highest profit margins since 2002. 8 Prior to the recent recession, air cargo experienced considerable growth. In 2009, as the impact of the recent recession took hold, U.S. air carriers saw a precipitous drop in the demand for air cargo services. However, 2010 shows a different story. U.S. air carriers moved 35.2 billion revenue ton-miles (RTM) of freight in 2010, an increase of just over 16 percent from the 30.3 billion RTM carried in 2009.

**Manufacturing production and jet oil prices prove the auto industry is key to the economy.**

**DOT 11**- department of transportation federal aviation administration, (August, “The Economic Impact

of Civil Aviation on the U.S. Economy”, <http://www.faa.gov/air_traffic/publications/media/FAA_Economic_Impact_Rpt_2011.pdf>).

For decades, American-made aircraft have been in high demand both domestically and internationally, and sales of airframes, aircraft engines and parts boosted the economy. Due to the high quality of U.S. aerospace products, global demand continues to add to overall economic growth and job creation within U.S. borders. One way to measure how the U.S. aircraft manufacturing industry is faring in today’s global economy is to estimate the net value of goods exchanged between the United States and the rest of the world. 10 The net value of goods exchanged between the countries is characterized as the balance of trade and is defined as the difference between the value of exports and imports. According to the USITC, the value of the U.S. trade balance in goods was -$500.9 billion in 2000.The highly volatile price of fuel continues to be a major concern for the airline industry and overall economy. In the summer of 2008, jet-fuel prices spiked to record highs, followed quickly by a precipitous drop in the autumn (Figure 4). Oil market speculators drove the increase as did flat U.S. crude petroleum field production, cuts in U.S. refining capacity, declines in Strategic Petroleum Reserve stocks, decreases in Organization of Petroleum Exporting Countries (OPEC) production targets, and political uncertainty in the Persian Gulf, Venezuela, Algeria and Nigeria. 13 Prices subsequently fell during the remaining months of 2008 to $53 per barrel in February 2009—a 68 percent decline. This decrease was mainly due to the delayed impact of falling overall demand for oil as a result of the recession. 14 With the upturn in the economy, the price of jet fuel has slowly risen. In January 2011, the price of jet fuel averaged $110 per barrel. Recent political turmoil in North Africa and the Middle East has led to further price increases.9. The total U.S. trade balance has been negative since 1971, 11 driven significantly by net imports of petroleum and motor vehicles, undermining U.S. competitiveness in the world market (Figure 3). However, for the past decade, the trade balance of the U.S. civil aviation industry has remained positive. Even as the global economic downturn continued into 2009, the civil aviation industry remained a net exporter of U.S. goods to the world, contributing to a lower overall U.S. trade balance.

**Airline industry key to jobs.**

**DOT 11**- department of transportation federal aviation administration, (August, “The Economic Impact

of Civil Aviation on the U.S. Economy”, <http://www.faa.gov/air_traffic/publications/media/FAA_Economic_Impact_Rpt_2011.pdf>).

Table 5 shows the total output, earnings and job estimates by civil aviation activity for 2009. The two largest activities contributing to output, earnings and jobs are airline operations and visitor expenditures. Civilian aircraft manufacturing, engine and parts manufacturing, and other aircraft parts and equipment contribute a total of $177.4 billion and nearly one million jobs to the U.S. economy. Increased global demand for U.S. aircraft and parts makes this an important part of the manufacturing sector. Visitor expenditures contributed the largest single portion of the total impact by far, with some $597 billion in output and over 5.3 million jobs. Air couriers, airport operations and travel arrangements round out the rest of commercial aviation, contributing $163.7 billion in total output and supporting just over 1.4 million jobs in the U.S economy. Civil aviation supports job creation and the jobs are highly compensated. Civilian aircraft manufacturing’s average salary of $51,303 was the highest among the industry followed by the engine and other aircraft parts manufacturers (Table 6). Average salaries for jobs supported by airport operations was nearly $45,000, while jobs supported by air courier and travel arrangements hovered around $34,000. At the lowest part of the spectrum, the average salary for jobs supported by visitor expenditures was $33,550. The jobs induced by visitor expenditures are concentrated in the retail and the service sectors.

**FAA is key to the US economy- jobs, distribution and manufacturing prove**

**DOT 11**- department of transportation federal aviation administration, (August, “The Economic Impact

of Civil Aviation on the U.S. Economy”, <http://www.faa.gov/air_traffic/publications/media/FAA_Economic_Impact_Rpt_2011.pdf>).

Previous FAA economic impact analyses did not include federal spending on air traffic control and other related activities. Federal expenditures on the provision of safe airspace and infrastructure are often overlooked factors behind civil aviation’s successful contribution to the U.S. economy. Whether by directly employing people to oversee our National Airspace System (NAS) or providing the funds necessary for the development of infrastructure, the FAA has an important and vital role in the U.S. economy. Even during times of economic contractions, the FAA’s ability to maintain safe skies, finance projects and support job creation is even more apparent. FAA expenditures impact the U.S. economy in four important ways by: • Providing state and local job opportunities • Facilitating opportunities for private entities • Distributing aid for infrastructure to local airports through grants • Keeping the industry operating efficiently and safely.In order to highlight the importance of the FAA’s contribution to the U.S. economy, the economic impact of FAA spending to the national economy as a whole and to each of the 50 states and the District of Columbia is measured and reported for fiscal year 2008. 40 The most important factor driving the level of expenditures in a particular state is the presence of large FAA facilities and/or large or multiple airports. Expenditures analyzed include payroll, nonpayroll (e.g., facilities and equipment, operations, research) and grants issued through the Airport Improvement Program (AIP)

**Aviation technology key to economy.**

**DOT 11**- department of transportation federal aviation administration, (August, “The Economic Impact

of Civil Aviation on the U.S. Economy”, <http://www.faa.gov/air_traffic/publications/media/FAA_Economic_Impact_Rpt_2011.pdf>).

Throughout the history of aviation, technological improvements have lowered the cost and increased the availability of air transportation to an ever wider market. These improvements include more efficient, safer and environmentally friendly aircraft, constructed with stronger and lighter materials. Modern engine and aircraft designs mean more efficient travel and shipping over longer distances. In more recent decades, improvements in computer technology led to enhancements in the cockpit, on the ground and throughout the air traffic system. Web access led to revolutionary changes in how customers purchase tickets, and digital technology brought about greater efficiencies in handling airline tickets and luggage. Furthermore, digital technology transformed the way freight is delivered among cities. In essence, all of these technological changes are “embodied” in the assets used within the air transportation industry, reducing capital input costs. In turn, these cost reductions lead to expanded flight availability, increasing business and personal air travel and enabling other industries to transport goods less expensively by air. 41 Air transportation is a key enabler for other industries such as tourism or industries that transport goods by air. Low fares and increased flight availability increase passenger travel, benefiting the tourism industry and other companies that require business travel, and also help industries that rely on air freight to transport high-value goods. As technology improves, relative fares and costs fall as flight availability rises, facilitating productivity and output gains in these industries. Transportation services provided by air carriers stimulate activity in other parts of the economy. For example, when air passengers reach their destinations, they spend money on hotel accommodations and food services, entertainment, sightseeing tours and so on. In addition, businesses that produce relatively highvalue or perishable goods may prefer to ship their products to customers by air. 42 In 2008, the value of commodities shipped by air was $72,516 per ton, far higher than any other mode of transportation

**Tourist travel key to econ and jobs.**

**DOT 11**- department of transportation federal aviation administration, (August, “The Economic Impact

of Civil Aviation on the U.S. Economy”, <http://www.faa.gov/air_traffic/publications/media/FAA_Economic_Impact_Rpt_2011.pdf>).

Results for 2008 show U.S. destination spending by international and domestic air travelers (the indirect or enabled flows) amounted to $249.2 billion (Table 16). Using RIMS II, these expenditures induced additional secondary spending for a total of $636.1 billion. Spending by travelers alone generated about 2.2 million jobs and $74.6 billion in worker earnings. In all, indirect and induced spending was responsible for $190.5 billion in earnings and 5.7 million jobs. 47 During 2008, the U.S. welcomed 33.4 million international air travel visitors. 48 Destination spending by foreign visitors alone equaled approximately $93 billion in 2008 (Table 16). Foreign visitor spending induced additional spending, so together the indirect and induced flows totaled $237.3 billion and generated about 2.1 million jobs and $71.1 billion in earnings. Foreign visitors tend to travel to only a small number of states. In 2008, about one-half of all visitors to the United States traveled to New York, California or Florida and almost two-thirds visited one of the top-five destination states (Table 15). 49 The economic impact of destination spending by domestic U.S. air-travelers was $156.2 billion in 2008 (Table 16). This translated into $386.9 billion in total and induced spending. Destination spending by domestic U.S. air-travelers generated about 3.6 million jobs and $119.4 billion in indirect and induced earnings.

**Air freight is key to the economy- due to jobs and overall gross earnings from trade**

**DOT 11**- department of transportation federal aviation administration, (August, “The Economic Impact

of Civil Aviation on the U.S. Economy”, <http://www.faa.gov/air_traffic/publications/media/FAA_Economic_Impact_Rpt_2011.pdf>).

In order to measure the magnitude of air freight flows, data from the Freight Analysis Framework (FAF), a database constructed by the Federal Highway Administration (FHWA), are used to construct national and state totals by weight and value. 50 The FAF database contains both domestic and foreign flows by value and by weight for each transportation mode and identifies the origins and destinations of these flows. Air freight flow data are available at the state and national levels and include intrastate flows, interstate flows and flows to and from other countries. Results show the 2008 value of air freight transported to other countries and within the United States (freight-enabled flows), amounted to $562.1 billion (Table 17). Based on RIMS II, these expenditures induced additional spending and together totaled $1,648.6 billion. Further, production of these goods generated about 3.2 million jobs and $148.7 billion in worker earnings. Indirect spending also led to induced earnings in other businesses and about 6.4 million in additional employment. In all, indirect and induced spending was responsible for $436.4 billion in earnings and 9.3 million jobs. Among the individual states, the value of goods transported by air is the sum of (1) value of goods transported to other countries (exports), (2) value of goods transported to other states and (3) value of goods transported within the state. Across all states, a total value of $562.1 billion in goods was transported by air. California ranked highest with $101.4 billion. Florida was second at $71.6 billion. Out of the top five states, four (California, Florida, New York and Texas) ranked high due to their size (by state GDP and by population). The fifth state, Tennessee, ranked high because it is home to the main hub for FedEx Corporation and a supply chain base for many wholesale and retail operations (Table 18).

**Aviation key to economic success and growth.**

**DOT 11**- department of transportation federal aviation administration, (August, “The Economic Impact

of Civil Aviation on the U.S. Economy”, <http://www.faa.gov/air_traffic/publications/media/FAA_Economic_Impact_Rpt_2011.pdf>).

In a world of decreasing barriers to trade, the U.S. civil aviation industry remains a unique engine for innovation and technological progress, one that provides infrastructure that keeps the nation competitive. This report found that, once all impacts are identified, civil aviation accounted for 5.2 percent of the U.S. economy in 2009. Aviation contributes to economic growth and to stronger ties to local and global markets for every region in the nation. The total output of civil aviation-related goods and services amounted to $1.3 trillion in 2009 and generated more than 10 million jobs, with earnings of almost $394.4 billion. Specific areas of civil aviation such as air cargo have contributed to more effective networking and collaboration between companies far and wide. Recovery in the wake of the recent recession presents many challenges and opportunities for aviation and the U.S. economy as a whole. There is evidence that the capacity reductions made by airlines and airports as the result of high fuel prices allowed the industry to better weather the storm, yet the prevailing economic winds will lead the industry to continue to innovate and become leaner and more responsive to volatile market conditions. The cost of fuel will likely remain a continuing concern for airlines and those affected by air transportation. Many analysts believe that the price of oil will continue to transform the airline industry for years to come, just as it will influence the prospects of other sectors of the economy. As it did in the past century, the role of air transportation will continue to grow for the U.S. and global economies. The economic impacts of civil aviation quantified in this report summarize the benefits made possible by a vital and innovative industry. The industry contributes positively to the U.S. trade balance, creates high-paying jobs, helps keep just-in-time business models viable and connects us to friends, family and commercial opportunities. As the role of air transportation evolves and becomes even more integral to our way of life, a safe and efficient air transportation system will continue to be a vital, even essential, component of a strong and healthy American economy in the 21st century.

**Even moderate declines in the air industry impacts the whole economy-post 9/11 events and economic models prove**

**Treyz’09** [Fred Treyz, CEO of Regional Economic Models, Inc., Ph.D. in Regional Science from the University of Pennsylvania, and a B.A. in Economics from Princeton University. over fifteen years of experience in applied urban and regional economics, “The Economic Impact of 9/11 on the New York City Region” 2009, p. University of Michigan Libraries, accessed 6/22]

The events of 9/11 put an immediate stop to much of the growth the nation and particularly the New York City region was experiencing. The initial shock of the attacks and the ensuing fear and uncertainty disrupted the entire economy. Almost all industry sectors were negatively impacted by the events of 9/11. The travel, especially air travel, and tourism industry was particularly hard hit hard as many people and businesses choose not to fly for both leisure and business activity. This dramatically impacted the airlines industry, hotels, and other industries that rely on travel and visitors. Directly after the 9/11 attacks, the majority of North American and European airlines greatly reduced both their staff and plane capacities, as the demand for air travel significantly weakened. U.S. airline industries experienced about 80,000 layoffs, a 13% reduction in airline capacity, and reported a $7 billion net loss in 2001 alone. During the years following 2001 and 2002, the airlines industry began to recover as the initial shock of 9/11 and the fear of air travel subsided, resulting in increasing demand returning to the market. To measure the impact of 9/11 on the air travel industry and the economy of New York City and the surrounding region, various data was collected to develop a simulation of the impacts in the REMI Policy Insight model. Data used to determine the impact of 9/11 on the airlines industry was collected from the Research and Innovative Technology Administration (RITA) Bureau of Transportation Statistics. This included data for airline passenger counts under the “T-100 Domestic Market (U.S Carriers). In addition, employment data was collected from a report titled “Direct Business Interruption Losses and Associated Costs of the 9/11 Attacks on the World Trade Center”, (Chapter 3), by Bumsoo Lee, Tom Szelazek, and Adam Rose. This data was used to project the amount of employment losses or gains, by industry sector, that were a direct result of 9/11, which became the basis of the model simulation and the model inputs. The gains in employment for particular industry sectors, largely represent the displacement or relocation of jobs from Manhattan and the rest of New York City to the other regions evaluated in the study. The travel and visitor dependent industry sectors were also greatly impacted by the events of 9/11. The accommodations (hotels) sector in Manhattan is projected to be among the hardest hit, with an estimated average employment loss of over 4,500 jobs. To access the impact of 9/11 on the air travel sector in the New York City area, the Brooklyn, Bronx, Queens, and Staten Island region and the Newark region are the focus of analysis. The New York City region contains three major airports; Kennedy, LaGuardia, and Newark International Airports. Kennedy and LaGuardia airports are both located in Queens, NY and Newark is the Newark-Union NJ-PA metro division. The Brooklyn, Bronx, Queens, and Staten Island region is projected to lose an average of roughly 150 air transportation jobs and Newark-Union Metro Division is projected to lose an average of around 40 air transportation jobs during the 2006 to 2020 time period. It is important to note that the job loses in air transportation were much greater in the period immediately following 9/11, in the years 20012003. As mentioned earlier, the U.S. airline industries experienced about 80,000 layoffs alone in 2001, immediately following 9/11, as demand for air travel plummeted. By 2006, the start of the study period in this report, air travel had made a significant recovery in the US (including the New York City area), as the initial shock of 9/11 and the fear of air travel subsided. To illustrate the recovery that the airline industry made in the years following 9/11, passenger count data can be studied. The estimated round-trip passenger loss for the first three quarters of 2002 totaled 14.3 million in the US compared to a loss of only 9.5 million passengers for the same period in 2003. By 2006 the airlines industry continued to regain the passenger travel loss experienced in the period immediately after 9/11. Furthermore, although many jobs were lost at airline companies as a result of 9/11, many security jobs were added at airports; which helped to minimize the total employment impact on the air travel sector.

**Airlines key to econ- when econ is down airline use decreases.**

**Jacobson 4**-researcher for the council of state governments (Douglas, May, “The Economic Impact of the Airline Industry in the South”, <http://www.slcatlanta.org/Publications/EconDev/economic_impact_of_the_airline_industry.pdf>).

The airline industry serves not just as an economic engine for states, cities and regions, but as a cog in the essential network of transportation within the United States. Furthermore, airlines, with their familiar names and easily recognizable symbols, can bring a sense of unity to the large communities which they serve. The industry creates its impact not just by providing direct employment, but also through the creation of opportunities throughout the travel and hospitality sector of the economy. Jobs in hotels, resorts, restaurants and car rental agencies, just to mention one small part of the economy, depend to differing degrees on the health of the airline industry. Yet the industry finds itself in a very difficult period. With the new focus on homeland security in the United States, exacerbated by war, the terrorist attacks of 2001, a downturn in the economy, and anomalies such as the SARS virus, the airline industry has found itself in a state of turmoil, loss and great trepidation. With the industry especially important to its birthplace, the Southern region, this report highlights the contributions of carriers to local and regional economies and the challenges that face them in Southern states. Recent headlines concerning airlines have been dominated by tales of layoffs, corporate malfeasance, bankruptcies, severance packages and labor strife. While continuing to struggle financially, airlines are working to resolve issues with unions, cut costs as painlessly as possible, and eventually return to profitability, all while better serving the public. The fact remains that commercial aviation is invaluable to the nation’s economy. Airports generate $507 billion each year, nationwide, in total economic activity, creating almost 2 million jobs directly and almost 5 million indirectly in surrounding communities. These employees earn $190 billion a year and generate $33.5 billion in local, state and federal taxes.

**Failure of our airlines would destroy the job industry**

**BTC, 08** - advocacy organization to bring transparency to industry and government policies and practices so that the managed travel community could influence issues of strategic importance to their organizations. BTC represents the interests of the managed travel community in Washington and Brussels and within the travel industry. Chairman Kevin Mitchell is a graduate of Saint Joseph’s University in Philadelphia where he received a Bachelor’s Degree in International Relations. (Business Travel Coalition, “Beyond the Airlines’ $2 Can of Coke: Catastrophic Impact on the US Economy from Oil-Price Trauma in the Airline Industry”, June 23, 2008, http://businesstravelcoalition.com/campaigns/consolidation/beyond\_$2\_coke.pdf)//CH

If a single major airline failed, tens of thousands of well-paid, skilled airline employees would instantly be out of work, and the loss of their paychecks, those of workers that directly supply and support the airline and those of employees at businesses where laid-off workers shop would cause massive negative economic and social impacts. With multiple failures, the number could easily exceed 100,000. (For comparison, Enron, the nation’s largest-dollar bankruptcy, led to the loss of 21,000 direct jobs.) The indirect impacts would push hundreds of thousands of others who depend on the airline system through the hole in the grid – hotel maids in Los Angeles, waiters and waitresses in Boston, travel agents in Kansas City, construction workers in Miami, florists in suburban Denver, and many others.

**Failure of airlines will collapse the economy**

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To accurately assess local economic effect, indirect losses must be added to the loss of direct airline jobs. Economists who specialize in regional development have for many years built and refined models to estimate local impact using variants of the multiplier effect, which combines the value of direct employment, the value of employee spending in the community and a firm’s purchases from nearby suppliers (discussed below). This indirect impact would be large, because airline employees earn – and thus spend – significantly more than the U.S. average. Total per- employee compensation (wages and benefits) at Continental, for example, was more than $85,000 in 2007; although pilot and senior-management pay skew this upward, even an adjusted per capita number would be far above the 2006 U.S. median household income of $48,200.Although measuring methods vary and the size of the multiplier effect ranges by market and over time, each airline job creates large numbers of indirect local jobs offered by local retailers, service providers, construction, government, and elsewhere. Airlines, their employees and passengers are the drivers of economic activity at airports, which in turn support economic activity. For example, a recent study of DFW Airport in Texas estimated that it annually generated $16.6 billion in total economic output and 305,000 total jobs (data from 2005) – far more than the direct jobs that airlines provide Likewise, a 2002 study at Atlanta’s airport estimated job creation at more than 640,000. Los Angeles World Airports calculated that while 59,000 people work at LAX, its aggregate employment totals than 400,000, with economic impact of $61 billion annually. But it’s not just big airports – in many smaller communities, the local airport is vital to the local economy and to attracting business and jobs.

**A collapse of airlines will devastate tourism**

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Tourism has become a strong engine of economic development. Airline failures would devastate this sector, from large metropolitan areas to small resort towns, coast to coast, and abroad. In general, just more than half the passengers on U.S. airlines are traveling for leisure reasons, whether for pure vacation, to visit friends and relatives or for other non-business purposes. Moreover, business travel expenditure is rightly classified as part of tourism, and many hotels, car- rental firms, restaurants, and related service providers that cater to independent business travelers, as well as meeting and convention attendees, must be included.

**Collapse of airlines stops transfer of human capital**

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Airlines are catalysts to national and global economic expansion. What we commonly call business travel is really the flow of human capital, which precedes or facilitates other flows, such as information and investment in the private sector, nonprofit organizations, and public institutions. Because of this catalytic role, an airline failure would disrupt this activity. Such disruption would range from mild to severe – imagine a time-sensitive large business transaction where the delay of even a few days would render unviable a deal that had been in the works for months. These effects would obviously be greater in hubs and major markets of the failed carriers.

**Civil aviation key to the US economy – growth and international exchange**

**Global Insight, 02** – world’s largest economics organization, provides comprehensive economic and financial information on countries, regions and industries (IHS Global Insight, “The National Economic Impact of Civil Aviation”, July 2002, <http://www.aia-aerospace.org/stats/resources/DRI-WEFA_EconomicImpactStudy.pdf>) //CH

Civil aviation has become an integral part of the U.S. economy. It is a key catalyst for economic growth and has a profound influence on the quality of life of populations around the globe. It integrates the world economy and promotes the international exchange of people, products, investment, and ideas. Indeed, to a very large extent, civil aviation has enabled small community and rural populations to enter the mainstream of global commerce by linking such communities with worldwide population, manufacturing, and cultural centers. Civil aviation products and services generate a significant surplus for the U.S. trade accounts and are in the forefront in the development and use of advanced technologies. Fundamentally, civil aviation touches nearly every aspect of our lives, and its success will, to a great degree, shape American society and the U.S. economy in the coming decades.

**Civil aviation key to the US economy – jobs and GDP**

**Global Insight, 02** – world’s largest economics organization, provides comprehensive economic and financial information on countries, regions and industries (IHS Global Insight, “The National Economic Impact of Civil Aviation”, July 2002, <http://www.aia-aerospace.org/stats/resources/DRI-WEFA_EconomicImpactStudy.pdf>) //CH

Civil aviation’s total impact in 2000 amounted to about 9% of GDP, of which 40% arose directly from civil aviation and related industries (see Appendix A for information on the DRI-WEFA economic impact methodology). Table 1 presents the year 2000 impacts for each category of civil aviation and related activities. Specifically: **Direct Impact**: $343 billion and 4.2 million jobs were produced directly in civil aviation11 or in industries related to civil aviation, such as travel and tourism (see Table 3). **Indirect Impact:** $255 billion and 3.2 million jobs arose indirectly in the other industries in the supply chain to civil aviation and related industries. **Induced Impact:** The remaining $305 billion and 3.8 million jobs were induced throughout the economy as the income generated by civil aviation is spent. **Total Impact:** Civil aviation generated a total impact of $904 billion in GDP and 11.2 million jobs. Of this, $102 billion in GDP and 1.3 million jobs were generated by general aviation. Of the 11.2 million jobs generated, roughly 60% arise in other industries (see Table 3).

Commercial aviation key to US economy – air cargo

Global Insight, 02 – world’s largest economics organization, provides comprehensive economic and financial information on countries, regions and industries (IHS Global Insight, “The National Economic Impact of Civil Aviation”, July 2002, <http://www.aia-aerospace.org/stats/resources/DRI-WEFA_EconomicImpactStudy.pdf>) //CH

During the past three years, several analyses have shown that, in macroeconomic terms, U.S. integrated air express companies have created billions of dollars annually in reduced business inventory carrying costs, over $50 billion per year in logistics cost savings, and tens of billions of dollars of final demand and export sales that would not occur in the absence of their services. The air express industry itself, including its ground transportation and logistics services divisions, generates approximately $60 billion a year in revenue and employs approximately 600,000 workers. In addition, a significant portion of the world’s freight is still carried either in the bellies of passenger aircraft or by all-cargo aircraft specializing in traditional “heavy freight.” These segments of the marketplace allow those shippers not necessarily demanding “express” service to enjoy the relative speed of movements by aircraft and to permit the transportation by air of oversized cargo to remote regions of the nation and world. Global economic integration is characteristic of most of the world. Exports of goods and services in 2000 represented almost a quarter of the world’s GDP, up from just 10% in 1970. In turn, U.S. merchandise trade amounts to 22% of the world total. This steady increase in trade activity has been enhanced by the growth of global air transport.

### Competitiveness IL – 2nc

**Collapse of airlines hurts competitiveness**

**BTC, 08** - advocacy organization to bring transparency to industry and government policies and practices so that the managed travel community could influence issues of strategic importance to their organizations. BTC represents the interests of the managed travel community in Washington and Brussels and within the travel industry. Chairman Kevin Mitchell is a graduate of Saint Joseph’s University in Philadelphia where he received a Bachelor’s Degree in International Relations. (Business Travel Coalition, “Beyond the Airlines’ $2 Can of Coke: Catastrophic Impact on the US Economy from Oil-Price Trauma in the Airline Industry”, June 23, 2008, http://businesstravelcoalition.com/campaigns/consolidation/beyond\_$2\_coke.pdf)//CH

Most U.S. airline growth in the past decade has been in international markets, and today up to 40% of major carriers’ operations are to and from foreign destinations. Thus, an airline failure would have economic and political implications overseas. One national priority is improving America’s competitiveness in the global travel industry. At its heart is the effort to compete for a greater share of international visitors, who according to the U.S. Department of Commerce, directly spend $103 billion annually in the United States. More than undermining this goal, multiple U.S. airline failures would lead to a huge reduction in this spending, bringing an enormous negative financial impact. After September 11, international arrivals to the U.S. declined 17%. Another drop of this size would lead to a direct financial hit of over $17 billion annually from international travelers alone. Our increased isolation would damage national security, public diplomacy and America’s image abroad.

### Deter XT

**Aerospace is key to US hegemony and nuclear deterrence**

**Erickson, 04** - Associate Professor in the Strategic Research Department at the U.S. Naval War College, Associate in Research at Harvard University’s John King Fairbank Center for Chinese Studies, previously a Fellow in the Princeton-Harvard China and the World Program, Fellow in the National Committee on U.S.-China Relations’ Public Intellectuals Program, has worked at the U.S. Embassy in Beijing, the U.S. Consulate in Hong Kong, the U.S. Senate, and the White House. Ph.D. and M.A. in international relations and comparative politics from Princeton University, graduated magna cum laude from Amherst College with a B.A. in history and political science (Andrew S., “Seizing the Highest High Ground: China's Aerospace Development and its Larger Implications”, February 2004, http://www.eastwestcenter.org/fileadmin/stored/pdfs/IGSCwp003.pdf)//CH

Aerospace is 1) critical to military dominance and 2) important to overall technological development. With boundless potential for scientific advance, it promises tremendous military, economic, and political rewards. Aerospace offers established powers unprecedented opportunities to enhance their geopolitical edge. Critical to great power status today, “Space operations and activities utilizing space-based assets have broad implications for national power in peace and war... military operations in space are extensively interrelated with national and political interests, and any action in space, even minor ones, can impact the balance of wealth and power among nations.”24 Growing powers therefore naturally regard aerospace development as critical to achieving great power status, established great powers to maintaining it. Studying a nation’s aerospace development therefore offers key insights into its great power ambitions and its capacity to realize them. Technological advance imposes increasing reliance on specific software, satellites, and systems, offering aspiring great powers unprecedented opportunities to leapfrog technologies and narrow the gap vis-à-vis established competitors by asymmetrically challenging and even attacking ‘linchpin’ systems. Wireless technology offers China comprehensive telecommunications coverage of mountainous territory without prior landline investment. Increasing reliance on communications satellites makes America “more dependent on space than any other nation.”25 This creates concentrated targets for foreign espionage, and even weapons in wartime. ‘Satellite killers’ need not be advanced lasers: pebbles released in enemy orbit would likely destroy satellites before they effected countermeasures. So vast are asymmetric attack options that a U.S. government space commission concluded that “The U.S. is an attractive candidate for a ‘Space Pearl Harbor’.”Aerospace is even more important to great power status than developing nuclear weapons per se. Nuclear weapons lie at the mercy of aerospace capabilities—they cannot provide credible deterrence without effective missile- or aircraft-based delivery systems. American development of new-generation anti-aircraft weapons and even missile defense could make nuclear delivery’s aerospace backbone even more important. (That is why Russia and China strongly oppose American missile defense and are developing penetration aids [PENAIDS] to limit its potential effectiveness).

### A2 Warming Turn

**HSR hurts the environment and increases global warming- turns warming**

**Albalate and Bel ’12** [Daniel Albalate is assistant professor of economics at the University of Barcelona,Spain, Germa Bel is professor of economics at the University of Barcelona, Spain, and guest professor in the Barcelona Graduate School of Economics. In 2009 they received the William E. and Frederick C. Mosher Award for the best Public Administration Review, “High-Speed Rail: Lessons for Policy Makers from Experiences Abroad”, May 1st,2012, <http://web.ebscohost.com.proxy.lib.umich.edu/ehost/pdfviewer/pdfviewer?sid=08c30c8c-f9f9-481c-8570-f52e4eafa29e%40sessionmgr114&vid=2&hid=110>, accessed 6/22/12]

Environmental Advantages As HSR is more environmentally efficient than its natural competitor— the airline industry—making medium-distance transportation more environmental friendly is an obvious rationale for building HST networks. However, the building and operation of HSR systems are also responsible for environmental damage in terms of land take, noise, visual disruption, air pollution, and the increase in the global warming eff ect because of the high consumption of electric energy. The modal distribution of traffic has been affected by the introduction of HSR in all of the cases studied, with the greatest impact on the airline industry in France and Spain. As table 7 highlights, immediately following the inauguration of HST service, the share held by air transport fell signifi cantly in both countries. Similarly, road transportation has suff ered from competition from HST, albeit to a lesser extent. Surprisingly, the impact on the modal shares of the Paris–Lyon and Madrid–Seville lines were very similar, according to the European Commission (1996). Recent data on the traffi c between Barcelona and Madrid, the main air corridor in the Spanish airline market (and, indeed, in the entire world market, with almost 5 million passengers per year in 2007), show that after a year of HST service, one-third of air traffi c has switched to rail.

**High Speed Rail can’t solve for emissions or the economy**

**Albalate and Bel ’12** [Daniel Albalate is assistant professor of economics at the University of Barcelona,Spain, Germa Bel is professor of economics at the University of Barcelona, Spain, and guest professor in the Barcelona Graduate School of Economics. In 2009 they received the William E. and Frederick C. Mosher Award for the best Public Administration Review, “High-Speed Rail: Lessons for Policy Makers from Experiences Abroad”, May 1st,2012, <http://web.ebscohost.com.proxy.lib.umich.edu/ehost/pdfviewer/pdfviewer?sid=08c30c8c-f9f9-481c-8570-f52e4eafa29e%40sessionmgr114&vid=2&hid=110>, accessed 6/22/12]

In this paper, we have highlighted the main questions that policy makers must consider when designing high-speed rail networks to reduce traffic congestion, cut dependence on foreign oil, and improve the environment. A number of obvious lessons can be drawn from the five cases we review here. First, the project design must take into consideration the specific characteristics of the urban patterns and economic structure of the country, including its traffic patterns, because of the overriding importance of a country’s mobility characteristics. Second, cost considerations are of central relevance when making choices concerning HSR projects and their implementation. The fixed costs of HSR investment are huge, and cost overruns are notoriously high. In addition, political factors (on both the supply and the demand sides) can contribute to further increase costs. Th is political pressure can be important when rural districts are favored by the electoral system in terms of seats per inhabitants. However, benevolent politicians could also accommodate the project’s balance between citizen (potential user) needs and taxpayer welfare, but this requires the absence of private interests in the design of their policy. Also, the execution of efficient projects needs bureaucrats and policy makers without private interests. Th erefore, the potential demand for HSR services must be particularly high in order to make investment in HSR socially profi table. This means that its main targets must be those corridors linking densely populated metropolitan areas, suffering from severe road congestion, and having deficient air links. These constraints also hinder the use of public–private partnerships, and governments must be prepared to intervene in constructing their HSR networks. While HSR is more environmentally efficient than air transportation and the use of the private car, it is responsible for more carbon dioxide emissions than conventional intercity trains. For this reason, HSR is not a very useful tool for fighting carbon dioxide emissions. Finally, the economic impacts of HSR are somewhat limited. The largest cities in the network might receive limited gains, but this is not the case for intermediate-sized cities, which might see economic activities being drained away and suffer an overall negative impact. The present article was based on a review of the main HSR experiences around the world. Future research should draw on recent developments in U.S. transportation planning, which provides an increasing number of project analyses, including those already under way in California. Additionally, new lessons should be learned by comparing the American HSR planning process and the context in which it is being undertaken (political system, mobility patterns, energy policy, and fiscal constraints) with the experiences and contexts of other countries around the globe.

# \*\*\*AUTO TRADEOFF DISAD\*\*\*

## \_\_\_\*\*Shell

### 1nc

**Car sales are skyrocketing – that creates an economic multiplier effect**

**Krisher, 12** – Writter for the boston globe (tom, jan 3, “US auto industry poised for 2d year of growth”, <http://www.bostonglobe.com/business/2012/01/03/auto-industry-poised-for-year-growth/Pq0nW0n93YrBrenzQkQylJ/story.html>).

After hitting a 30-year low in 2009, US auto sales are poised for a second straight year of growth in 2012, the result of easier credit, low interest rates, and pent-up demand for cars and trucks. The sales forecast bodes well for the industry’s continued recovery from the Great Recession and for the broader American economy. Just two years ago, Detroit automakers were in peril. Sales plunged as unemployment soared, and loans became harder to get. Chrysler and General Motors filed for bankruptcy protection. Ford avoided bankruptcy only by borrowing billions. Now credit is more available, interest rates are low, and Americans need to replace old cars and trucks they kept during and after the downturn. Millions of drivers in their teens and 20s are expected to buy vehicles, too. That could mean more jobs, more factory shifts, and overall growth. Vince Powell, a retiree from Winfield, Pa., recently traded in his wife’s seven-year-old Chrysler 300 luxury sedan for a 2011 model. The old car had 145,000 miles on it, but it was the deal he got that most attracted him: a low interest rate (2.7 percent per year), a six-year loan term, and a big discount off the $31,900 sticker price. “I’m getting a $300-per-month payment,’’ he said just before closing the sale at Beaver Motors in Beaver Springs, Pa., near Harrisburg. “I’ve never had a new car for 300 bucks a month.’’ In their effort to survive, all three automakers downsized and positioned themselves to turn profits - even if sales remained depressed. Now that sales are rising, the outlook has brightened considerably. Automakers report US sales for 2011 tomorrow. Sales of new cars and trucks are expected to reach 12.7 million, up from 11.5 million in 2010 and 10.4 million in 2009, the worst year since 1982. In 2012, they could climb as high as 13.8 million, close to the 14 million that analysts consider a healthy market. December sales could reach an annual rate of 13.4 million, which would make it the second-strongest month of the year. Only November was better. Edmunds.com forecasts a 37 percent rise in sales at Chrysler Group LLC in December, thanks to new and revamped products such as the Jeep Grand Cherokee SUV and the Chrysler 200 midsize sedan. Carmakers have announced plans to crank up factories and add thousands of jobs. Last January, Ford said it would hire 7,000 workers over the next two years. During the summer, GM said it would add 2,500 at the Detroit factory that makes the Chevrolet Volt electric car. Volkswagen hired 2,000 for a new plant in Tennessee, and Honda added 1,000 in Indiana. The industry will add 167,000 jobs by 2015, a 28 percent increase over current levels, predicts The Center for Automotive Research in Ann Arbor, Mich. During the summer, the auto industry was adding jobs at a faster pace than airplane manufacturers, shipbuilders, health care providers, and the federal government. It kept adding jobs even when the national unemployment rate rose above 9 percent, Standard & Poor’s downgraded US debt for the first time, and the stock market tumbled. Government estimates show Americans spent roughly $40 billion more on new cars and trucks in 2011 than in 2009. Based on annualized figures from the first quarter of 2011, new-car spending totaled $206 billion, or 1.3 percent of the gross domestic product, Commerce Department data show. That compares with $166 billion in 2009, about 1.2 percent of the country’s economy. And the momentum in auto sales is likely to continue because people need to replace aging cars, said Jeff Schuster, senior vice president of forecasting for LMC Automotive, an automotive consulting company in Troy, Mich. The average American car is now 11 years old. US auto sales peaked at 17 million in 2005, when Detroit’s automakers were much bigger and overproduced cars that they were forced to discount heavily. Sales could eventually reach that level again around 2018, Schuster said, because of 70 million so-called millennials born between 1981 and 2000 who need to set up households and buy cars. Other trends emerged in 2011. Many people bought smaller vehicles as gas prices hit a record average of $3.53 per gallon. Fuel-efficient compact cars, which have been vastly improved by automakers, are likely to unseat the midsize sedan as America’s favorite passenger car for the first time in 20 years.

**New investments are zero sum with other sectors – increases the risk of deficit reduction measures**

**Heymsfield 11** Former Staff Director of the House Committee on Transportation and Infrastructure (David, 22 February 2011, “Let the Games Begin,” National Journal, http://transportation.nationaljournal.com/2011/02/transforming-the-highway-trust.php)

Currently the Trust Fund covers most federal programs for highways, transit, motor carrier safety, and highway safety. The budget proposes adding a number of programs, most significantly Amtrak, high-speed rail, and an infrastructure fund. The proposal does not appear to contemplate anything approaching unlimited discretion for the Administration to allocate the fund’s revenues to different modes. Rather, the proposal appears to contemplate continuation of the current Trust Fund structure in which spending from the fund must be within the context of a specific program established by the fund such as the National Highway System program or the Urbanized Area Formula program for transit. Most of these programs are limited to one mode, and use formulas to determine how much of the funding goes to each State. Another feature of the current system is that the States are given some discretion to “flex” their formula funding from one program to another (including flexing some funds between highway and transit programs). In the existing structure there are only few programs in which the Administration has discretion to decide which mode will be funded. The budget proposes adding one new program in which there will be discretion to choose between modes, but it is only a small portion of the overall trust fund programs. Specifically, the Administration budget proposal contemplates giving the Administration discretion to decide which modes will be funded in a new Infrastructure Fund program. This program would be authorized at about $5 Billion a year in an overall program of more than $60 Billion. It is not clear whether the Administration will also propose that the States be given any discretion to “flex” rail funding to highways or transit, or to flex highway or transit funds to rail. Another major unknown is whether adding rail to the Trust Fund is likely to change the funding which rail, highway and transit would have received if the current system had been continued. Under the current system, overall funding for highways and transit is set at a level that falls within the revenues the Trust Fund will receive from the user fees supporting the fund. A number of factors go into the allocation of funds between highways and transit, including giving transit a “fair share” of total revenues, and having highways and transit grow at the same rate (or in today’s context, being reduced at the same rate). Under the existing system, rail is funded as part of a general transportation appropriation bill, based on general budget policies and the funding available for all transportation programs in the bill. Funding for rail is not tied to any particular revenue stream, or by the general relationship to funding for highways and transit. If rail is moved to the Trust Fund, its funding will be determined by the available revenues and decisions on how they should be allocated between highways, transit and rail. The effects of this change seem unpredictable until we know the level and composition of the fund’s revenues. Until recently the user fees supporting the fund have been adequate to cover growing highway and transit programs. This is no longer the case. The existing fees will not even cover existing programs, much less a new rail program. The Administration is opposed to increasing the current user fees. If the new revenues are not user fees and cannot be tied to any mode, we can expect major disputes on how the new revenues should be divided. It will be a **zero sum game** in which a dollar going to one mode will not be available for the other two. It’s anybody’s guess what the end result will be, and how it will compare to what would have occurred if rail was not moved to the Trust Fund. Finally, bringing new programs into the Trust Fund could leave the Fund more vulnerable to deficit reduction measures designed to cut Trust Fund spending below the revenues put into the fund. Since TEA-21 in 1998 the Trust Fund has been able to resist proposals to cut spending below revenues. Supporters of the fund have been able to argue convincingly that the fund’s revenues are contributed by users (mainly through the gasoline tax) and that the users are entitled to have the funds they contributed spent. Bringing rail into the fund will require new revenue sources for the fund, and as discussed these new funds are not likely to be user fees. If this occurs, the arguments for full spending of revenues will be weakened significantly.

**New human transportation infrastructure hurts the auto industry.**

**Bethel 9** Director of Frazier Capital Valuatio; Masters in International Finance and European Business (Stephen, 1 December 2009, “The Valuation of Auto & Recreational Vehicle Dealership Operations,” Chapter 2, Frazier Capital, http://www.fraziercapital.com/books/auto/2.pdf

Second, rivalry between existing competitors involves such variables as the number of competitors, the relative strength of the competitors, the strength of their competitor’s relationship with car/truck distributors and manufacturers, the industry growth potential, the amount of fixed costs needed, service differences, and quality of cars available. Third, **pressure from substitute products can hurt the auto industry**. The auto industry faces competition not only from within, but also from other forms of transportation such as trains, subways, bicycles, metro transits and others. One needs to focus on substitute products and the minimum switching costs for potential customers, and high profit earning industries which can afford to reduce margins in order to broaden their market into the seller’s market.

**The auto industry is vital to hegemony and conquering 21st century rivals**

Clark, ‘8 - retired Army general and former supreme allied commander of NATO, is a senior fellow at the Burkle Center for International Relations at the University of California at Los Angeles. (Wesley K., “What’s Good for G.M. Is Good for the Army”, New York Times, November 16, 2008, <http://www.nytimes.com/2008/11/16/opinion/16clark.html?_r=3>) //CH

AMERICA’S automobile industry is in desperate trouble. Financial instability, the credit squeeze and closed capital markets are hurting domestic automakers, while decades of competition from foreign producers have eroded market share and consumer loyalty. Some economists question the wisdom of Washington’s intervening to help the Big Three, arguing that the automakers should pay the price for their own mistakes or that the market will correct itself. But we must act: aiding the American automobile industry is not only an economic imperative, but also a national security imperative. When President Dwight Eisenhower observed that America’s greatest strength wasn’t its military, but its economy, he must have had companies like General Motors and Ford in mind. Sitting atop a vast pyramid of tool makers, steel producers, fabricators and component manufacturers, these companies not only produced the tanks and trucks that helped win World War II, but also lent their technology to aircraft and ship manufacturing. The United States truly became the arsenal of democracy. During the 1950s, advances in aviation, missiles, satellites and electronics made Detroit seem a little old-fashioned in dealing with the threat of the Soviet Union. The Army’s requests for new trucks and other basic transportation usually came out a loser in budget battles against missile technology and new modifications for the latest supersonic jet fighter. Not only were airplanes far sexier but they also counted as part of our military “tooth,” while much of the land forces’ needs were “tail.” And in those days, “more teeth, less tail” had become a key concept in military spending. But in 1991, the Persian Gulf War demonstrated the awesome utility of American land power, and the Humvee (and its civilian version, the Hummer) became a star. Likewise, the ubiquitous homemade bombs of the current Iraq insurgency have led to the development of innovative armor-protected wheeled vehicles for American forces, as well as improvements in our fleets of Humvees, tanks, armored fighting vehicles, trucks and cargo carriers. In a little more than a year, the Army has procured and fielded in Iraq more than a thousand so-called mine-resistant ambush-protected vehicles. The lives of hundreds of soldiers and marines have been saved, and their tasks made more achievable, by the efforts of the American automotive industry. And unlike in World War II, America didn’t have to divert much civilian capacity to meet these military needs. Without a vigorous automotive sector, those needs could not have been quickly met. More challenges lie ahead for our military, and to meet them we need a strong industrial base. For years the military has sought better sources of electric power in its vehicles — necessary to allow troops to monitor their radios with diesel engines off, to support increasingly high-powered communications technology, and eventually to support electric propulsion and innovative armaments like directed-energy weapons. In sum, this greater use of electricity will increase combat power while reducing our footprint. Much research and development spending has gone into these programs over the years, but nothing on the manufacturing scale we really need. Now, though, as Detroit moves to plug-in hybrids and electric-drive technology, the scale problem can be remedied. Automakers are developing innovative electric motors, many with permanent magnet technology, that will have immediate military use. And only the auto industry, with its vast purchasing power, is able to establish a domestic advanced battery industry. Likewise, domestic fuel cell production — which will undoubtedly have many critical military applications — depends on a vibrant car industry. To be sure, the public should demand transformation and new standards in the auto industry before paying to keep it alive. And we should insist that Detroit’s goals include putting America in first place in hybrid and electric automotive technology, reducing the emissions of the country’s transportation fleet, and strengthening our competitiveness abroad. This should be no giveaway. Instead, it is a historic opportunity to get it right in Detroit for the good of the country. But Americans must bear in mind that any federal assistance plan would not be just an economic measure. This is, fundamentally, about national security.

**The impact is global conflict**

**Khalilzad 11 – Former US ambassador, former Professor @ Columbia**

Zalmay Khalilzad, PhD, United States ambassador to Afghanistan, Iraq, and the United Nations during the presidency of George W. Bush and the director of policy planning at the Defense Department from 1990 to 1992 (2/8/11, National Review, “The Economy and National Security; If we don’t get our economic house in order, we risk a new era of multi-polarity,” <http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad>

We face this domestic challenge while other major powers are experiencing rapid economic growth. Even though countries such as China, India, and Brazil have profound political, social, demographic, and economic problems, their economies are growing faster than ours, and this could alter the global distribution of power. These trends could in the long term produce a multi-polar world. If U.S. policymakers fail to act and other powers continue to grow, it is not a question of whether but when a new international order will emerge. The **closing** of **the gap** between the United States and its rivals **could intensify geopolitical competition among major powers**, increase incentives for local powers to play major powers against one another, and undercut our will to preclude or respond to international crises because of the higher risk of escalation. The stakes are high. In modern history, **the longest period of peace** among the great powers **has been the era of U.S. leadership**. By contrast, multi-polar systems have been unstable, with their competitive dynamics resulting in frequent crises and major wars among the great powers. Failures of multi-polar international systems produced both world wars. American retrenchment could have devastating consequences. Without an American security blanket, regional powers could rearm in an attempt to balance against emerging threats. Under this scenario, **there would be** a heightened possibility of **arms races, miscalc**ulation, **or** **other crises spiraling** **into** **all-out conflict**. Alternatively, in seeking to accommodate the stronger powers, weaker powers may shift their geopolitical posture away from the United States. Either way, hostile states would be emboldened to make aggressive moves in their regions. As rival powers rise, Asia in particular is likely to emerge as a zone of great-power competition. Beijing's economic rise has enabled a dramatic military buildup focused on acquisitions of naval, cruise, and ballistic missiles, long-range stealth aircraft, and anti-satellite capabilities. China's strategic modernization is aimed, ultimately, at denying the United States access to the seas around China. Even as cooperative economic ties in the region have grown, China's expansive territorial claims -- and provocative statements and actions following crises in Korea and incidents at sea -- have roiled its relations with South Korea, Japan, India, and Southeast Asian states. Still, the United States is the most significant barrier facing Chinese hegemony and aggression.

## \_\_\_\*\*2nc Walls

### UQ Wall – 2nc

**The car industry is growing and it’s future outlook is positive – several reasons:**

**Car sales – highest they have been in years.**

**WSJ 6/6/12-**wall street journal economics, (“Auto Industry Post Impressive Sales Numbers in May”, <http://www.marketwatch.com/story/auto-industry-post-impressive-sales-numbers-in-may-2012-06-06>).

NEW YORK, NY, Jun 06, 2012 (MARKETWIRE via COMTEX) -- Domestic auto sales have been on an impressive run in 2012 as an improving U.S. economy, and high gas prices have boosted the demand for new and more fuel efficient vehicles. Despite growing global economic concerns the top U.S. auto manufacturers posted double-digit sales growth in May. Five Star Equities examines the outlook for companies in the Auto Manufacturers Industry and provides equity research on Toyota Motor Corporation [TM +0.71%](http://www.marketwatch.com/investing/stock/TM?link=MW_story_quote) and Honda Motor Co. Ltd. [HMC +1.58%](http://www.marketwatch.com/investing/stock/HMC?link=MW_story_quote) . Access to the full company reports can be found at: www.FiveStarEquities.com/TM www.FiveStarEquities.com/HMC Auto sales "were slightly below expectations [industry-wide], but despite all the negative macroeconomic trends, we actually did pretty well," said Jesse Toprak, vice president of market intelligence at TrueCar.com. "We are still up dramatically from last year and the underlying consumer demand is strong." GM saw their highest monthly total in almost three years as sales of new cars and trucks in the U.S. jumped 11 percent to total 245,256 vehicles. The Chrysler Group LLC posted their best May in five years as U.S. sales surged 30 percent to 150,041 vehicles. Five Star Equities releases regular market updates on the Auto Manufacturers Industry so investors can stay ahead of the crowd and make the best investment decisions to maximize their returns. Take a few minutes to register with us free at www.FiveStarEquities.com and get exclusive access to our numerous stock reports and industry newsletters. Toyota's monthly sales saw 87.3 percent increases to total 202,973. "Toyota, as expected, posted a stunning year-over-year percentage increase; remember where Toyota was a year ago, however, largely without much product to sell because of the earthquake and tsunami," said Michelle Krebs, senior analyst at Edmunds.com. "Ford held the No. 2 sales spot over Toyota, a position that looked to be at risk." Honda Motor Co. recently announced that it has begun construction on a new auto plant in Indonesia. With annual production capacity of 120,000 units, the new auto plant is scheduled to begin production in 2014 in order to continue meeting demands in the rapidly growing automobile market in Indonesia. Five Star Equities provides Market Research focused on equities that offer growth opportunities, value, and strong potential return. We strive to provide the most up-to-date market activities. We constantly create research reports and newsletters for our members. Five Star Equities has not been compensated by any of the above-mentioned companies. We act as an independent research portal and are aware that all investment entails inherent risks. Please view the full disclaimer at: [www.FiveStarEquities.com/disclaimer](http://www.FiveStarEquities.com/disclaimer)

**Quarterly growth – highest quarter in 5 years**

**Bunkley, 4/3**/12- writer for the new York times, (Nick, “U.S. Car Sales Keep Up Their Firm Growth”, <http://www.nytimes.com/2012/04/04/business/car-sales-keep-up-their-firm-growth.html?_r=1>).

Automakers on Tuesday reported strong sales across the board in March, pushing the industry to its best quarter since before the recession, even though gasoline prices climbed to more than $4 a gallon in many states. Nissan, Hyundai and Kia each posted record sales last month, while Chrysler and Volkswagen had gains of more than 30 percent compared with a year earlier. The Ford Motor Company had its best month in five years. The only major carmaker to report a decline was Honda, whose sales slipped 5 percent. The industry’s unexpectedly strong performance in the first quarter has prompted automakers to begin planning for production increases to meet demand, though they remain cautious about overreacting. Many analysts say they are confident that United States sales for all of 2012 will surpass 14 million vehicles, a target that seemed overly optimistic several months ago. In contrast, industry sales were 12.8 million last year and 10.4 million in 2009. Toyota adjusted its 2012 forecast to “a little bit more than 14 million” from its previous projection of 13.6 million, said Jeff Bracken, vice president for Toyota division sales. The research firm IHS Automotive on Tuesday raised its full-year forecast to 14.2 million, from an earlier estimate of 14 million. “With key economic indicators remaining upbeat, we see this momentum continuing into the months ahead,” Mr. Bracken said in a conference call with reporters. The industry’s seasonally adjusted, annualized selling rate increased to 14.4 million in March, from 13.1 million a year ago, according to the industry tracking firm Autodata. The selling rate for the first quarter was 14.5 million, the highest since 2008. Although gas prices did not derail the industry’s growth, they did encourage more buyers to choose small cars, which accounted for almost a quarter of all sales. General Motors, whose sales rose 12 percent, said March was the first month ever that it had sold more than 100,000 vehicles with highway fuel-economy ratings of at least 30 miles per gallon. They represented about 40 percent of G.M.’s sales. March was the best month yet for G.M.’s plug-in hybrid, the Chevrolet Volt, which posted sales of 2,289, doubling its February results. Nearly all of G.M.’s other high-mileage vehicles were gas-powered models, which have become considerably more efficient in recent years. Toyota, which recorded a 15 percent increase, said 60 percent of the vehicles it sold could achieve 30 miles per gallon. It said sales of hybrids jumped 49 percent, to about one in every five vehicles driven off dealership lots.

**Jobs and sales**

**US News and World Report, 12**- (January 9, “Is the U.S. Auto Industry on Track for a Comeback?”, <http://www.usnews.com/news/articles/2012/01/09/is-the-us-auto-industry-on-track-for-a-comeback>).

The initial signs look good. The past two months have seen decent sales numbers, a trend that's likely to continue as the jobs outlook strengthens and Americans feel more financially secure, experts say. December was a good month for Nissan and especially the "Big Three"—Chevrolet, Chrysler and GM—all of which posted sales increases for the month and year. The economy is such that people are feeling a little more comfortable about their job outlook and where they're going," says Bruce Belzowski, research scientist at University of Michigan's Transportation Research Institute. Economists forecast U.S. auto sales will jump to about 13.5 million in 2012, up from 12.8 million last year. While 13 or 14 million units sold certainly isn't bad, Belzowski says it's not the 15 or 16 million units auto makers used to enjoy several years ago. Still, the auto industry's recovery is playing a significant role in bolstering the broader [economic recovery](http://www.usnews.com/news/articles/2012/01/09/is-the-us-auto-industry-on-track-for-a-comeback) in the United States, primarily because automotive manufacturing touches so many other areas of the economy, from manufacturing gas caps to keeping the diner next to the plant open, says Aaron Bragman, senior analyst at IHS Global Insight. The resurgence in demand also bodes well for the job market. Auto makers have already re-hired nearly everyone they laid off during the recession, Bragman says, and if demand remains elevated, companies are likely to hire more to keep up with production needs. Demand is likely to stay elevated, too. The average age of vehicles in the United States is the oldest it's ever been at more than 10 years old. While buying a new car might be a fun upgrade for some, for others it's becoming a necessity. "In some cases people are looking at [their cars] and saying, 'It's just time, I need to turn the car in,' as opposed to previous cycles where it was largely desire-based and not necessarily need-based," Bragman says.

### General L Wall – 2nc

**The plan trades off with other programs**

**Amekudzi et al 1** – PH.D. Transportation Systems (Infrastructure) School of Civil & Envir. Engineering Georgia Institute of Technology (Adjo, “ Application of Shortfall Analysis and Markowitzí Theory in Investment Tradeoff Analysis for Competing Infrastructure: Using HERS and NBIAS for Integrated Asset Management”, 5th International Conference on Managing Pavements, <http://www.pavementmanagement.org/ICMPfiles/2001087.pdf)//RK>

In asset management, we are concerned with at least four different levels of tradeoffanalysis. Three of these are used when we independently manage different types of infrastructure, for which we are concerned with analyzing tradeoffs to answer the following questions (2): 1) In what facilities must we invest? 2) When must we invest in these facilities? 3) In what types of improvement actions must we invest? When we attempt to provide integrated management for non-homogeneous facilities, we are concerned with another important question: What **relative levels of investment** should we make in each of the co**mpeting facilities** (point and network)? For integrated asset management, this additional information is necessary to increase (or attempt to maximize) the overall value of our collective assets, in the context of constrained budgets. To be more effective therefore, an integrated asset management system must provide guidance on **appropriate levels of investments for competing infrastructure facilities**, for the purpose of maintaining, increasing or maximizing the collective value of these assets over time.

**Public policy determines the winners and losers**

**Slack et al 9** Professor Emeritus in the Department of Geography at Concordia University (Dr. Brian, 2009, Second edition of the textbook “The Geography of Transport Systems,” Chapter 3, Hofstra University, http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/ch3c1en.html)

It is generally advocated that a form of modal equality (or modal neutrality) should be part of public policy where each mode would compete based upon its inherent characteristics. Since different transport modes are under different jurisdiction and funding mechanisms, modal equality is conceptually impossible as some modes will always be more advantageous than others. Modal competition is influenced by public policy where one mode could be advantaged over the others. This particularly takes place over government funding of infrastructure and regulation issues. For instance, in the United States the Federal Government would finance 80% of the costs of a highway project, leaving the state government to supply the remaining 20%. For public transit, this share is 50%, while for passenger rail the Federal Government will not provide any funding. Under such circumstances, public policy shapes modal preferences.

**Double-bind – the aff either trades off with other transport modes or fails**

**Slack et al 9** Professor Emeritus in the Department of Geography at Concordia University (Dr. Brian, 2009, Second edition of the textbook “The Geography of Transport Systems,” Chapter 3, Hofstra University, http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/ch3c1en.html)

The technological evolution in the transport industry aims at adapting the transport infrastructures to growing needs and requirements. When a transport mode becomes more advantageous than another over the same route or market, a modal shift is likely to take place. A modal shift involves the growth in the demand of a transport mode at the expense of another, although a modal shift can involve an absolute growth in both of the concerned modes. The comparative advantages behind a modal shift can be in terms of costs, convenience, speed or reliability. For passengers, this involved a transition in modal preferences as incomes went up, such as from collective to individual modes of transportation. For freight, this has implied a shift to faster and more flexible modes when possible and cost effective, namely trucking and air freight. There are important geographical variations in modal competition. The availability of transport infrastructures and networks varies enormously. Some regions possess many different modes that in combination provide a range of transport services that ensure an efficient commercial environment. Thus, in contrast to the situation in the EU, rail transport occupies a more important market share in North America. In many parts of the world, however, there are only limited services, and some important modes may be absent altogether. This limits the choices for people and shippers, and acts to limit accessibility. People and freight are forced to use the only available modes that may not be the most economic for the nature of the demand. Goods may not be able to find a market, and people’s mobility may be impaired. For these reasons, transport provision is seen as a major factor in economic development. Areas with limited modal choices tend to be among the least developed. The developed world, on the other hand possesses a wide range of modes that can provide services to meet the needs of society and the economy. Since 2000 the price of fuel has increased significantly as well as its volatility. All modes are affected, from the individual car owner to the corporation operating a fleet of hundreds of aircraft or ships. The higher costs are being passed on to the customer, either directly, as is the case of shipping where freight rates are climbing, or indirectly as is the case of airlines, where passengers are being charged additional fuel surcharges. These cost increases are likely to have significant impacts on mobility and trade, as well as on the modal split: Higher transport costs increase the friction of distance and constrain mobility. As a major consumer of petroleum the transport industry has to increase rates. Across the board increases causes people to rethink their patterns of movement and companies to adjust their supply and distribution chains. One of the expected effects of these cost increases is a decline in freight shipments and passenger carriers, such as airlines are anticipating a reduction in trips. Even school districts are anticipating reducing the number of busses and making children walk further to school. Because the impact of higher fuel costs hits the modes differentially, a modal shift is anticipated. Road and air transport are more fuel intensive than the other modes, and so fuel price increases are likely to impact upon them more severely than other modes. This could lead to a shift towards water and rail transport in particular. A further impact of fuel price increases is greater fuel economy across the modes. One of the best ways for all modes to reduce consumption is to lower speeds. A future of high energy prices is likely to have a major impact on just-in-time deliveries, and lead to a restructuring of supply chains.

**Auto bailouts are on the chopping block – funding for the plan directly trades off with the auto industry**

**Jackson 9** (Derrick, “The transformation of transportation” <http://www.boston.com/bostonglobe/editorial_opinion/oped/articles/2009/02/24/the_transformation_of_transportation/)//RK>

In the Pacific Northwest, the Amtrak Cascades line from Portland to Seattle set a new record with a 14.4 percent increase. In the South, ridership for the Piedmont train between Charlotte and Raleigh was up 30.8 percent last year. This was on top of records announced earlier this year by other systems, including our own MBTA. It clearly factored into the Obama administration's 11th-hour rescue of mass transit in the final stimulus bill. The bill provides $17.7 billion for mass transit, high-speed rail, and Amtrak. The final budget request by Bush for these three items totaled $11.2 billion. Compared with the last eight years of the Bush administration, this is a miracle shift of mindset. Mass transit and high-speed rail were given a massive upgrade in their share of transportation spending. In the last federal budget, the government gave highways four times more money than mass transit. The stimulus brings the ratio under 2-to-1. Compared with how some Republicans and the Bush administration kept trying to kill Amtrak, Obama's new Transportation Secretary Ray LaHood nearly made transit advocates faint by saying the stimulus funding will "transform intercity transportation in America, reduce our carbon footprint, relieve congestion on the roads and in the skies, and take advantage of a mode of transportation that has already benefited Europe and Japan for many years." For the full transformation of transportation, Obama must move more mountains of mindset. For instance, it makes no sense to give General Motors and Chrysler an additional $21.6 billion in bailouts on top of their previous $17.4 billion, when they are cutting 50,000 jobs and still have not offered a credible plan for a fuel-efficient future. The administration should cut off the cash and let Ford, and the American plants of Toyota, Nissan, and Honda, salvage any GM and Chrysler assets valuable to them. Obama should instead invest the bailout billions into transportation that moves billions of people, and creates several times more jobs than what GM and Chrysler say they will lose.

**There is a multiplier effect**

**Slack et al 9** Professor Emeritus in the Department of Geography at Concordia University (Dr. Brian, 2009, Second edition of the textbook “The Geography of Transport Systems,” Chapter 3, Hofstra University, http://people.hofstra.edu/geotrans/eng/ch3en/conc3en/ch3c1en.html)

Higher transport costs increase the friction of distance and constrain mobility. As a major consumer of petroleum the transport industry has to increase rates. Across the board increases causes people to rethink their patterns of movement and companies to adjust their supply and distribution chains. One of the expected effects of these cost increases is a decline in freight shipments and passenger carriers, such as airlines are anticipating a reduction in trips. Even school districts are anticipating reducing the number of busses and making children walk further to school.

### Impact Wall – 2nc

**The auto industry is vital to hegemony for several reasons –**

**a. Aerospace – the auto industry fuels the industrial base**

**Ronis, 06** – Ph.D, Large social system behavior, Distinguished Fellow and Vision Working Group leader of the Congressionally mandated Project on National Security Reform (PNSR), President of The University Group, Inc., a management consulting firm and think tank specializing in strategic management, visioning, national security, and public policy. (Shelia R., “Erosion of the U.S. Industrial Base and its National Security Implications”, July 17, 2006, http://www.uscc.gov/hearings/2006hearings/written\_testimonies/06\_07\_17wrts/ronis\_statement.pdf)//CH

Offshoring the auto industry could make the U.S. military industrial base in the United States completely unable to comply with American preference legislation because the erosion of the auto industrial base also erodes defense. General Motors, Ford, Delphi, Northrop-Grumman, Boeing, Lockheed Martin – they all share the bottom of the industrial base. The United States cannot sustain the kind of growth it has enjoyed for the last several decades if the industrial base continues to steadily erode. Increasingly, a number of U.S. companies in specific industries find it impossible to compete in world markets. This is of particular concern for the industrial base that supplies the U.S. military, automotive and aerospace. According to Alan Tonelson of the U.S. Business and Industry Council, import penetration rate data is a critical metric that the U.S. Government needs to track, but does not. According to Tonelson and Peter Kim in a *Washington Times* article, “in recent years most industries producing goods in the United States have been steadily losing their home market – the world’s biggest, most important and most competitive – to products from overseas. In other words, numerous U.S. industries are facing the kind of import tide that has pushed General Motors and Ford dangerously close to receivership. Moreover, this weakness shows up in so-called smokestack and high-tech industries alike. Unless this rising import penetration is reversed, the nation’s long-time global industrial leadership and all the benefits it has generated will be irretrievably lost.”

>>INSERT AERO IMPACTS FROM AIR POWER ABOVE

b. Naval power – the auto industry sustains projects that are vital to warfighting capability

**ONR 09** –Executive branch agency within the Department of Defense, the Office of Naval Research (ONR) supports the President's budget. ONR provides technical advice to the Chief of Naval Operations and the Secretary of the Navy. (Office of Naval Research, “ONR Partners with Car Industry to Test Energy-Efficient Vehicles”, March 18, 2009, http://www.navy.mil/submit/display.asp?story\_id=43502)//CH

ARLINGTON (NNS) -- The Office of Naval Research (ONR) teamed up with an automobile industry leader to explore energy-efficient, environmentally-friendly viable transportation alternatives; a cutting-edge General Motors (GM) Chevrolet Equinox fuel cell vehicle (FCV) is the result of the partnership. As the global automobile industry considers alternative energy sources to replace the traditional internal combustion engine, Jessie Pacheco, a mail clerk at Camp Pendleton, makes his rounds in the FCVs. The Office of Naval Research (ONR) has sponsored the GM FCVs at Camp Pendleton since 2006; two more scheduled to arrive later this year. "These vehicles are the future," said Pacheco. "It's great to see people drive by me, giving me the thumb's up, and asking 'Where can I get one?'" "Fuel cell vehicle research is clearly a case where the Navy and Marine Corps needs are propelling advanced technology that also has potential benefit to the public," said Rear Adm. Nevin Carr, chief of naval research. Within the Navy-Marine Corps Team, ONR has researched power and energy technology for decades. Often the improvements to power generation and fuel efficiency for ships, aircraft, vehicles and installations have direct civil application for public benefit. "There is not a drop of oil in it," explained Shad Balch, a GM representative at Camp Pendleton. "The electric motor provides maximum instant torque right from the get go." The efficiency of a hydrogen-powered fuel cell may prove to be twice that of an internal combustion engine, if not greater, added Balch. From an operational perspective, the fuel cell vehicle is quiet yet powerful, emits only water vapor, uses fewer moving parts compared to a combustion engine and offers an alternative to the logistics chain associated with current military vehicles. The addition of fuel cell vehicles to Camp Pendleton provides a glimpse into the future of advanced transportation technology that reduces reliance on petroleum and affords environmental stewardship benefits such as reduced air pollution and a smaller carbon footprint for Navy and Marine Corps bases. "Partnering with the military gives us critical feedback from a truly unique application. This will help us as we engineer our next generation of fuel cell vehicles," Balch[, a GM representative,] noted. Technology underwrites the solutions to both national and naval energy needs. As an ONR program officer in the 1990s, Richard Carlin, Ph.D., recognized the potential of alternative fuel research to help meet the energy challenges of the future. Today, as ONR's director of power and energy research, Carlin is pleased to see the positive reaction to the fuel cell vehicle research program. "This is an example of where the value of investment in science and technology can really pay off," said Carlin. "Besides the potential energy savings and increased power potential of fuel cell technology, the research and testing we are doing will address challenges like hydrogen production and delivery, durability and reliability, on board hydrogen storage and overall cost." For example, through its testing ONR has made advances in the storage necessary for achieving greater range in fuel cell automobiles. Dave Shifler, the program officer managing the alternative fuels initiatives at ONR, emphasizes that partnerships are essential when bringing a new technology forward. "With the right partnerships, you can accomplish almost anything," stressed Shifler. "We have teamed with the Army from the beginning on this research, sharing technical support, contracting support and usage of the GM fuel cell vehicle." ONR fuel cell research has not been limited to vehicles and spans the operational spectrum: from ground vehicles to unmanned aerial vehicles (UAVs), to man-portable power for Marines and afloat. Hydrogen powered fuel cell technology is one of many programs at ONR in the power and energy research field that is helping the Navy meet the energy needs of both the warfighter and the public. ONR's partnerships in fuel cell vehicle research include: Headquarters Marine Corps; the Marine Corps Garrison Mobile Equipment office; Southwest Region Force Transportation; Naval Facilities Engineering Services Center, Port Hueneme; Department of Energy (Energy Efficiency and Renewable Energy), South Coast Air Quality Management District; California Air Resources Board; California Fuel Cell Partnership; Defense Energy Support Center, General Motors; Naval Surface Warfare Center Carderock Division; U.S. Fuel Cell Council; U.S. Army TARDEC/NAC, and Deputy Assistant Secretary of the Navy for Environment. ONR provides the science and technology (S&T) necessary to maintain the Navy and Marine Corps' technological warfighting dominance. Through its affiliates, ONR is a leader in S&T with engagement in 50 states, 70 countries, 1035 institutions of higher learning, and 914 industry partners. ONR employs approximately 1400 people, comprised of uniformed, civilian and contract personnel.

**c. Fuel Cells**

**Clark, 08** - retired Army general and former supreme allied commander of NATO, is a senior fellow at the Burkle Center for International Relations at the University of California at Los Angeles. (Wesley K., “What’s Good for G.M. Is Good for the Army”, New York Times, November 16, 2008, <http://www.nytimes.com/2008/11/16/opinion/16clark.html?_r=3>) //CH

Now, though, as Detroit moves to plug-in hybrids and electric-drive technology, the scale problem can be remedied. Automakers are developing innovative electric motors, many with permanent magnet technology, that will have immediate military use. And only the auto industry, with its vast purchasing power, is able to establish a domestic advanced battery industry. Likewise, domestic fuel cell production — which will undoubtedly have many critical military applications — depends on a vibrant car industry. To be sure, the public should demand transformation and new standards in the auto industry before paying to keep it alive. And we should insist that Detroit’s goals include putting America in first place in hybrid and electric automotive technology, reducing the emissions of the country’s transportation fleet, and strengthening our competitiveness abroad. This should be no giveaway. Instead, it is a historic opportunity to get it right in Detroit for the good of the country. But Americans must bear in mind that any federal assistance plan would not be just an economic measure. This is, fundamentally, about national security.

### Mass Transit L Wall – 2NC

**Mass transit lures the next generation of auto buyers – that crushes the industry**

**Eisenstien 9** (Paul, “Will Gen Y Destroy the Auto Industry?” <http://www.thedetroitbureau.com/2009/02/will-gen-y-destroy-the-auto-industry/)//RK>

Will Gen Y kill the auto industry? That’s the provocative question posed by a new study from AutoPacific. And before you write that off as preposterous, consider that the generation just entering the automotive market has already driven the nail in the coffin of the newspaper business, all but destroyed the recording industry, and forever changed the way the telecommunications industry functions. In some parts of the world, we’re already seeing the impact young consumers can have on the auto industry. In Japan, for example, many potential Gen Y motorists are foreswearing the automobile, insisting they’d rather walk, ride a bike, or stick to mass transit. What happens here, in the U.S., is a critical question considering this is the largest potential market in automotive history, larger than the legendary Baby Boomers. Last year, Gen Y accounted for just 9 percent of the automotive market, but by 2012, AutoPacific predicts, that will jump to a sizable 13 percent, and keep growing from there. Equally significant, 57 percent of this generation are women. Considering their youth, there’s little surprise that Gen Y buyers have less disposable income to spend on cars than their parents’ and grandparents’ generation. But even so, there are obvious shifts in their early automotive buying habits. Gen Yers are buying more compact and midsize cars than SUVs, especially women in that group. That reflects the fact that this is a generation that questions authority, the AutoPacific study finds. They’re socially and environmentally conscious. And they demand respect. As you might expect, they dismiss old media, like newspapers and network TV. Their primary influence is what they see and read on the Web. At a time when Detroit’s automakers are struggling for survival, the Gen Y buyers hold out little hope for salvation. They’re even less likely than Baby Boomers to own a domestic car. Honda, Nissan, Volkswagen and Mitsubishi are brands that play for them. In fact, even some traditional import brands have reason to worry. Toyota seems to be struggling to connect with these young buyers, far more than Honda – and despite the youth-oriented Scion brand. Price is obviously a big concern for Gen Y, yet image is even more important. Fuel economy matters, as you might expect, but surprisingly, not as much as exterior styling. That said, expect these buyers to be looking for the latest and greatest in green powertrain technology. A whopping 73 percent would like some form of hybrid-electric vehicle, even better if its capable of using alternative fuels, like E85. The study suggests American Gen Y consumers aren’t ready to walk away from the automobile, like their cohorts, in Japan. But it seems very likely that their buying habits will be very different from their parents and grandparents, and that could be bad news for Detroit, if not the rest of the auto industry.

**Increased mass transit investment crowds out the auto industry**

**Ernst 9** staff analyst and principal report author and data expert at Tri-State Transportation Campaign; formerly worked at the Surface Transportation Policy Project (Michelle, 26 January 2009, “Gas Prices Fall, But Auto-to-Transit Shift Continues,” Tri-State Transportation Campaign, http://blog.tstc.org/2009/01/26/gas-prices-fall-but-auto-to-transit-shift-continues/)

How times have changed. As of today, the national average for a gallon of regular gasoline is $1.85. This may be just a temporary drop, but it’s nevertheless relatively cheap to drive again. And yet Americans are continuing to cut back on driving. According to just released figures from the Federal Highway Administration’s Traffic Volume Trends report, Americans drove almost 13 billion fewer miles in November of 2008 than in November 2007, a decline of 5.3 percent. That is the second biggest drop in driving of any month this year, and it came even as gas prices were falling to the $2 per gallon range. Through the first eleven months of 2008, driving has fallen an astonishing 102 billion miles, a drop of 3.5 percent over the same period in 2007. Assuming that trend holds true through the end of the year, it would represent the biggest decline in driving since World War II. Meanwhile, transit systems across the country are reporting record ridership. Nationwide, ridership grew by 5 percent through September of 2008 compared to the same period last year, according to the American Public Transportation Association. APTA doesn’t yet have nationwide data for October and November, but cities as diverse as Albany, Kansas City, Boston, San Francisco, Philadelphia, Dallas and Portland, Oregon all saw continuing ridership gains in November. Within the tri-state region, preliminary numbers from NYC Transit show modest, but continuing November growth on buses and subways. It seems that even as gasoline prices are starting to come down, the economic recession is suppressing driving. Vehicle miles traveled typically fall with the GDP, but what differs this time around is that transit ridership is not suffering — and, in fact, is even growing in most places. An APTA official told MTR that as Americans shifted to transit to save on gas, they “discovered” the benefits and convenience of transit. Significant unemployment could dampen the growth in transit ridership in coming months, but for now Americans are still piling onto buses and trains. Obviously this is a trend the new Obama administration should support. **Significant investments in transit operations and capital improvements,** as part of the federal stimulus bill and beyond, **could help catalyze a major shift in the way Americans get around.**

**Transit is competitive with autos – 3 reasons**

**Lewis and Williams, 99** (Daniel, Ph.D., President, Hickling Lewis Brod Economics, Inc., \*AND Fred Laurence, Ph.D., United States Department of Transportation, 1999, “Policy and Planning as Public Choice: Mass Transit in the United States,” http://www.fta.dot.gov/documents/Policy\_and\_Planning\_as\_Public\_Choice.pdf, DJH)

Generally, the inherent merits of automobile ownership are overwhelming. But significant travel circumstances—travel market niches—exist in which private vehicles are clearly inferior to the alternatives. The most obvious example is commercial travel between metropolitan areas that are, by car, more than two hours apart. This market niche is filled by commercial airlines, Amtrak, intercity buses, and rental cars. Few people enjoy driving more than a few hours at a time, whatever the comfort and luxury of their vehicle. So we fly. We rent cars for temporary use. Taxis are perfect for the occasional trip across an unfamiliar town. Walking, jogging, bicycling, and skating even contribute to mobility (and health) in important segments of the economy. Some say the only way to see the United States is on the back of a motorcycle or a horse. Many prefer an accessible charter bus. Parking a car can be a chore. In urban America, public transit serves three market niches that are not adroitly served by private autos and other travel modes. First, in nearly every urban area, transit serves a basic mobility function for children, elderly people, people with disabilities who are unable to drive, people who cannot afford their own cars, and motorists whose car is in the shop. Secondly, in certain urban areas, rapid transit enables a critical number of commuters to bypass severely congested freeways and thus save travel time for themselves and motorists alike. Third, in a number of commercial centers, urban neighborhoods, retirement communities, and towns with large college campuses, transit facilitates a pedestrian friendly streetscape in which walking, elevators and bicycling are more common than driving.

**Transit services are competitive with cars**

**Litman and Laube, 02** (Todd, Victoria Transport Policy Institute, \*AND Felix, Institute for Science and Technology Policy, Murdoch University, August 6, 2002, “Automobile Dependency and Economic Development,” Victoria Transport Policy Institute, http://www.vtpi.org/ecodev.pdf, DJH)

An efficient transportation market requires that consumers have viable transport choices, including good walking and cycling conditions, and a range of transit services. High quality transit can provide an effective alternative to automobile travel and serves as a catalyst for more efficient land use.52 To be effective **transit service must be competitive with automobiles** in terms of speed, convenience, comfort, and prestige.

## \_\_\_\*\*Additional Impacts

### Semiconductors – 1nc

**The auto sector is vital to semiconductor tech growth**

**Hill et al 10-** Sustainable Transportation and Communities Group and Project Lead, Project Manager of the center for automotive research, Research Associate at the center for automotive research, (Kim, Debbie Menk, Adam Cooper, “Contribution of the Automotive Industry to the Economics of All Fifty States and the Unites States”, <http://www.oesa.org/Doc-Vault/Industry-Information-Analysis/CAR-Economic-Significance-Report.pdf0>.

The auto industry is one of the most important industries in the United States. It historically has contributed 3 – 3.5 percent to the overall Gross Domestic Product (GDP). The industry directly employs over 1.7 million people engaged in designing, engineering, manufacturing, and supplying parts and components to assemble, sell and service new motor vehicles. In addition, the industry is a huge consumer of goods and services from many other sectors, including raw materials, construction, machinery, legal, computers and semi-conductors, financial, advertising, and healthcare. The auto industry spends $16 to $18 billion every year on research and product development – 99 percent of which is funded by the industry itself. Due to the industry’s consumption of products from many other manufacturing sectors, it is a major driver of the 11.5% manufacturing contribution to GDP. Without the auto sector, it is difficult to imagine manufacturing surviving in this country.

**Semiconductors are vital to addressing climate change**

**Bauer 9** – CEO of Infineon, a leading semiconductor company (Peter, “A change of pace for the semiconductor industry?”, PricewaterhouseCoopers, November 2009, http://www.pwc.com/en\_GX/gx/technology/pdf/change-of-pace-in-the-semiconductor-industry.pdf)//CH

The increasing global demand for energy, the limited availability of natural resources, rising energy prices and the threat of climate change require solutions for enabling energy to be handled more efficiently. In order to meet the requirements of climate policy, for instance for reducing CO2 emissions, it is necessary to increase efficiency throughout the entire chain of utilisable energy ñ that is, for the production, transmission and consumption of energy. Innovations from the semiconductor industry are playing a key role with regard to implementing these objectives. The requirement for more energy efficiency will have a positive impact particularly on demand for power semiconductors in the course of the next few years. This is applicable specifically to renewable energies, as well as for example to motor drives in industrial applications and in household products. With regard to power semiconductors for renewable energies, market researchers are assuming average annual growth rates of 18% in the course of the next years.1 Solar and wind power will continue to be two of the main growth drivers. Power semiconductors are the core of rectifiers in photovoltaic and wind power installations, and are a key component for efficiently supplying power to the network.

Warming causes extinction – we’re at the tipping point

Archer et al, ‘8 – Archer lead the study and is a Professor of Geophysical Sciences @ U Chicago, Dozens of other participants, including NASA scientists, professors of Biology, etc. “Anthropogenic Climate Destabilization: A Worst-case Scenario,” Foundation for the Future, September, <http://www.futurefoundation.org/documents/HUM_ExecSum_ClimateDestabilization.pdf>.

This summary intends – rather than to duplicate the existing assessments of the Intergovernmental Panel on Climate Change (IPCC), the Centre for Strategic & International Studies (CSIS), or other worthy studies and reports – to look beyond the time frames with which those efforts were, in general, concerned. Typically the Foundation, in its ongoing programs, attempts to consider the thousand-year future of humanity. The worst case in climate destabilization for the long term will result from either a “business as usual” mode of operation or from superficial mitigation efforts that do not radically address the problems. It encompasses both a series of catastrophic impacts to humanity and Planet Earth, and runaway behavior in a dynamic system. Though the catastrophic impacts occur in a number of specific arenas, they must be understood to interact with each other, often resulting in acceleration of effects. Replicable climate models indicate that the concentration of carbon dioxide in the Earth atmosphere may reach approximately 1,000 parts per million (ppm) by the end of the present century and remain above this level for thousands of years. At present, 400 to 600 ppm is considered a “red zone” of danger, and current levels are already approaching 400 ppm; in fact, one participant proposed that adding in CO2 equivalents puts current levels already at 445 to 450 ppm. Scientists believe that once the red zone has been entered, the planet will likely remain within or above the red zone range long enough that both the Greenland and Antarctic ice sheets will melt completely. Unlike the popular literature that suggests that CO2 in the atmosphere is a century-timescale issue, in fact, CO2 recovers on a timescale of 100,000 years. After an equilibration with the oceans, which itself requires a few centuries, there is still a remaining percentage that is neutralized only in reaction with rocks in a process requiring hundreds of thousands of years. Climate modeler Dr. Andrey Ganopolski said, “It should be borne in mind that present-day climate models do not tend to overestimate or exaggerate the magnitude of climate changes in the past. Instead, there is reason to consider climate model simulations as conservative.” Accordingly, it is doubtful that the model projection of 1,000 ppm should be dismissed as unlikely or lacking credence, even though it is understood that past climate changes are not a direct analog for the future. NASA risk assessment expert Dr. Feng Hsu pointed out that an implication of 1,000-ppm concentration of CO2 in the atmosphere, which is approximately two times or more over the tipping point, is clearly an unacceptable level of catastrophic risk that will likely lead to the extinction of humanity. This catastrophic end would be the consequence of either no global strategic adaptation measures for risk averting or ineffective mitigations in today’s human activities that affect CO2 levels in the atmosphere. The direct consequence of the increase of CO2 concentration in the atmosphere is rising temperatures on the globe. By the end of this century, global average temperatures will rise by more than 5 degrees Celsius, with regional rises of more than 10 degrees Celsius, and will continue to rise for centuries. In coming decades typical summer temperatures in Southern Europe and the United States can be expected to rise from 30 degrees to 40 degrees Celsius (105 degrees Fahrenheit). An early taste of this elevation of heat was the 40 degrees Celsius that was considered anomalous in the 2003 heat wave in Europe, when 15,000 deaths in France alone were directly attributable to the heat. Some natural cooling that might be expected from the natural progression of the Earth orbital cycles is not going to ameliorate the warming from fossil fuel CO2. Indirect effects of the increasing heat are also already evident on the globe. A recent study found that the maximum speed of the strongest hurricanes of the last 25 years increased by 5 meters per second per 1 degree of ocean warming. Since the power and destructive potential of hurricanes are proportional to the cube of velocity, a 50 percent increase in speed would imply a tripling increase of destructive potential. Presently a Category 3 hurricane has a maximum speed of 50 meters per second; a 50 percent increase to 75 meters per second raises the level to a Category 5 hurricane – the most severe category. It is likely that new categories for measuring hurricanes must be introduced, as well as new language, since Category 5 is now considered “catastrophic.” Sea levels will also be affected by rising temperatures as ice masses gradually disappear from the planet, melting into ocean and other water bodies. Scientifically based estimates suggest that sea level could rise by up to two meters during the present century, and increases will be measured in meters, not inches, over the next few centuries. Even a one-meter rise, which many scientists anticipate by 2100, will affect at least 150 million people, most of them in Asia, though North America will also experience significant flooding. If a large percentage of the population of Bangladesh is forced to move, where will those people go? A sea-level rise of 10 meters in coming centuries will affect about 500 million people and submerge 5 million kilometers of land, including loss of most of the Netherlands, to mention just one impacted region. When both the Greenland and Antarctic ice sheets have melted completely, sea levels will have increased by 70 meters. Even 3 degrees C of warming that persists for thousands of years will ultimately result in tens of meters of sea-level change. As mentioned, effects will vary from region to region; in fact, it is possible that some regions will experience rapid cooling at the same time as others record rapid heating. The Atlantic thermohaline circulation is a dangerous component of the climate system because it is capable of rapid reorganization resulting in abrupt climate change, with temperature shifts either up or down by as much as 10 degrees Celsius in a matter of decades. The melting of the ice sheets has an indirect impact on thermohaline circulation; however, it is not possible to say from modeling what the probability of a meridional overturn in circulation is, either in this century or subsequently. Water-related effects will also vary from region to region, with some areas experiencing extraordinary flooding while others see deep, longlasting droughts. David Wasdell, who uses a systems dynamics approach based not on modeling but on tracking complex feedback dynamics, said that climate stabilization is not about stopping catastrophic impacts but about stopping runaway behavior in a dynamic system, and he believes that the early stages of runaway climate changes have already commenced, with no naturally occurring negative feedback process able to contain the effect. Most of the systems are already in net amplifying feedback, so “the hotter the Earth gets, the faster it gets hotter,” he said. In order to deal with the worst case, humankind will have to generate a negative feedback intervention of sufficient power to overcome and reverse not just what has already occurred, but what continues to occur. The participants were generally in agreement that in the global heating now under way, the gap between energy received by the Earth from the Sun and energy radiated back out is running at approximately two watts per square meter, and the amount is increasing by about 25 percent per decade, under “business as usual.” There was, however, some disagreement about whether climate destabilization is already being accelerated by the feedbacks to a runaway status. However, three tipping points already passed, apparently irreversibly, were identified: (1) the pine bark beetles in northern United States and Canada. The winters are no longer cold enough to kill off the larvae of the beetle, which is killing vast areas of pine trees, adding yet more carbon to the atmosphere; (2) the acidification of the oceans, leading to massive changes in the lower part of the ocean food chain, and (3) the disappearance of the coral reefs in the Caribbean Sea due to increasing temperatures. Other indicators that climate change is already affecting ecosystems were also cited, including changes in hardiness zones for plants. Climate change has begun to affect human health worldwide, with the extent of impacts expected to increase with increasing climate change. Dr. Kristie Ebi, an independent consultant and a lead author for the IPCC Fourth Assessment Report on human health, has conducted research on the impacts of climate change for more than a dozen years. She stated: “I am more concerned about health impacts in the next few decades than later this century because the lack of current preparedness suggests that impacts may be larger in the short term, until programs and activities are implemented to increase resilience to extreme weather events and other changes projected to occur with climate change.” There are not enough people trained to cope with current climate variability, and funding for training and capacity-building is inadequate. Changing temperatures and precipitation patterns will alter ecosystems, as well as change the geographic range and intensity of transmission of a range of infectious diseases. At present approximately 150,000 people die every year due to climate change impacts; most of these deaths are in children under the age of five living in Africa and Asia. Worldwide, the major climate-sensitive health outcomes of concern are malnutrition, diarrheal disease, and malaria. Other health impacts to expect are increasing illnesses and deaths due to increases in the frequency and intensity of heat waves, flooding events, and other extreme weather events, increases in adverse health outcomes due to air pollution, and increases in the geographic range and incidence of a wide range of food-, water-, and vectorborne diseases. Sudden and severe declines in crop yields could lead to large numbers of refugees. In some areas, there is the possibility that climate change could affect the national security. In his inaugural speech, Sir Crispin Tickell emphasized that the real problems today are the speed of the change in climate and where the tipping points are, rather than the size of the change itself, and the wider perspective of global catastrophic risks in which climate change is only one of the problems.

### **Semiconductors – XT**

**Semiconductors key to solve the environment – hazardous waste control**

**Hoffman et al. 95** – Hoffman, Professor of Environmental Engineering and Environmental Chemistry; Martin, Professor of Environmental Chemistry at Harvard; Choi, Ph.D. Professor. School of Environmental Science & Engineering. Pohang University of Science and Technology; Bahnemann, Head of the Department of Photoelectrochemistry and Material Research at the Institute for Solar Energy Research in Hannover (Michael R. Hoffmann,\* Scot T. Martin, Wonyong Choi, and Detlef W. Bahnemann, “Environmental Applications of Semiconductor Photocatalysis”, *Chemistry Review*, 1995, Volume 95, page 69-70)//CH

The civilian, commercial, and defense sectors of most advanced industrialized nations are faced with a tremendous set of environmental problems related to the remediation of hazardous wastes, contaminated ground waters, and the control of toxic air contaminants. For example, the slow pace of hazardous waste remediation at military installations around the world is causing a serious delay in conversion of many of these facilities to civilian uses. Over the last 10 years problems related to hazardous waste remediation' have emerged as a high national and international priority. Problems with hazardous wastes at military installations are related in part to the disposal of chemical wastes in lagoons, underground storage tanks, and dump sites. As a consequence of these disposal practices, the surrounding soil and underlying ground- water aquifers have become contaminated with a variety of hazardous (i.e., toxic) chemicals. Typical wastes of concern include heavy metals, aviation fuel, military-vehicle fuel, solvents and degreasing agents, and chemical byproducts from weapons manufacturing. The projected costs for cleanup at more than 1800 military installations in the United States have been put at $30 billion; the time required for cleanup has been estimated to be more than 10 years. In the civilian sector, the elimination of toxic and hazardous chemical substances such as the halogenated hydrocarbons from waste effluents and previously contaminated sites has become a major concern. More than 540 million metric tons of hazardous solid and liquid waste are generated annually by more than 14000 installations in the United States. A significant fraction of these wastes are disposed on the land each year. Some of these wastes eventually contaminate groundwater and surface water. Groundwater contamination is likely to be the primary source of human contact with toxic chemicals emanating from more than 70% of the hazardous waste sites in the United States. General classes of compounds of concern include: solvents, volatile organics, chlorinated volatile organics, dioxins, dibenzofurans, pesticides, PCB's, chlorophenols, asbestos, heavy metals, and arsenic compounds. Some specific compounds of interest are 4-chlorophenol, pentachlorophenol, trichloroethylene (TCE), perchloroethylene (PCE), CCL, HCC4, CHZC12, ethylene dibromide, vinyl chloride, ethylene dichloride, methyl chloroform, p-chlorobenzene, and hexachlorocyclopentadiene. The occurrence of TCE, PCE, CFC-113 (i.e., Freon-113) and other grease-cutting agents in soils and groundwaters is widespread. In order to address this significant problem, ex- tensive research is underway to develop advanced analytical, biochemical, and physicochemical methods for the characterization and elimination of hazardous chemical compounds from air, soil, and water. Advanced physicochemical processes such as semiconductor photo catalysis are intended to be both supplementary and complementary to some of the more conventional approaches to the destruction or transformation of hazardous chemical wastes such as high-temperature incineration, amended activated sludge digestion, anaerobic digestion, and conventional physicochemical treatment.'

### Econ – 1nc

**Auto industry is key to the economy- consumer goods and multiplier effect**

**Hill et al 10-** Sustainable Transportation and Communities Group and Project Lead, Project Manager of the center for automotive research, Research Associate at the center for automotive research, (Kim, Debbie Menk, Adam Cooper, “Contribution of the Automotive Industry to the Economics of All Fifty States and the Unites States”, <http://www.oesa.org/Doc-Vault/Industry-Information-Analysis/CAR-Economic-Significance-Report.pdf0>.

The auto industry is one of the most important industries in the United States. It historically has contributed 3 – 3.5 percent to the overall Gross Domestic Product (GDP). The industry directly employs over 1.7 million people engaged in designing, engineering, manufacturing, and supplying parts and components to assemble, sell and service new motor vehicles. In addition, the industry is a huge consumer of goods and services from many other sectors, including raw materials, construction, machinery, legal, computers and semi-conductors, financial, advertising, and healthcare. The auto industry spends $16 to $18 billion every year on research and product development – 99 percent of which is funded by the industry itself. Due to the industry’s consumption of products from many other manufacturing sectors, it is a major driver of the 11.5% manufacturing contribution to GDP. Without the auto sector, it is difficult to imagine manufacturing surviving in this country.

**>>Insert Econ Impact**

### Econ – XT

**Auto manufacturing key to econ- vital to job growth**

**Hill et al 10-** Sustainable Transportation and Communities Group and Project Lead, Project Manager of the center for automotive research, Research Associate at the center for automotive research, (Kim, Debbie Menk, Adam Cooper, “Contribution of the Automotive Industry to the Economics of All Fifty States and the Unites States”, <http://www.oesa.org/Doc-Vault/Industry-Information-Analysis/CAR-Economic-Significance-Report.pdf0>.

The economic performance of the automotive sector, and the broader manufacturing sector, is extremely important for the continued development and growth of the national and regional economies, as it comprises a large share of total U.S. output (see Figures 1.2 and 1.3). At the end of 2008, U.S. automotive output was 2.2% of GDP, and overall manufacturing contributed 11.5% to GDP. The sizeable contribution to economic output by the manufacturing industry is attributable to several factors, including international trade opportunities that allow for the export of highly specialized manufactured products. Many of these products are high value-added goods that are made through the use of skilled laborers and advanced equipment. The complexity of making these products contributes to the large job-creating multiplier effect of manufacturing within the U.S.

**Automotive industry is vital to the econ and manufacturing.**

**Hill et al 10-** Sustainable Transportation and Communities Group and Project Lead, Project Manager of the center for automotive research, Research Associate at the center for automotive research, (Kim, Debbie Menk, Adam Cooper, “Contribution of the Automotive Industry to the Economics of All Fifty States and the Unites States”, <http://www.oesa.org/Doc-Vault/Industry-Information-Analysis/CAR-Economic-Significance-Report.pdf0>.

The automotive industry is a very important industry in the U.S. economy; no other single industry links as closely to the U.S. manufacturing sector or directly generates as much retail business and overall employment. Manufacturing has been the backbone of the American economy, and the automotive industry is its heart. A look at the entire production and supply chain provides a rich narrative of how a strong automotive industry historically supports the growth and stability of many other industries, such as basic materials suppliers of steel, plastic, rubber and glass, which are used for making bodies, interiors and trim, tires, gaskets and windows. Figure 1.4 provides a comparison of the value added per employee (measured in thousands of dollars per year) across several manufacturing industries. The value added per employee can be thought of as the difference between the cost of materials and the sale price of the good. Effective deployment of land, labor, and capital create value; in 2006, each employee in the motor vehicle assembly industry created $321,000 of value in the final products shipped; fourth highest amongst manufacturing industries. An economy is reinforced by the size and job creating capability of its manufacturing base. Within the broad manufacturing landscape of the U.S., few industries are as large or provide so many indirect and ancillary opportunities for job creation as the motor vehicle industry. Figure 1.5 highlights the sheer size of the motor vehicle assembly and parts manufacturing industry which is the second largest employer within the subset of manufacturing. Some industries inherently create more jobs than other industries. A high jobs creation multiplier tends to be associated with industries that require large amounts of inputs from other industries, source inputs from industries that have a high regional purchase coefficient, or pay above average wages.

**Auto sector key to mobility and trade.**

**Hill et al 10-** Sustainable Transportation and Communities Group and Project Lead, Project Manager of the center for automotive research, Research Associate at the center for automotive research, (Kim, Debbie Menk, Adam Cooper, “Contribution of the Automotive Industry to the Economics of All Fifty States and the Unites States”, <http://www.oesa.org/Doc-Vault/Industry-Information-Analysis/CAR-Economic-Significance-Report.pdf0>.

While not included in the economic modeling of the impact analysis, the manufacture of medium and heavy duty trucks and parts is a key component of the motor vehicle industry, and here we provide an overview of the activity of this sub-sector of the industry. Medium duty trucks include Classes 3 to 6 (10,000 to 26,000 lbs.) and heavy duty trucks include Classes 6 to 8 (26,001 to over 33,000 lbs). Currently there are over 10.6 million medium and heavy trucks registered in the United States. 2 Together, the medium duty and heavy duty truck markets in the United States sell 433,263 units annually 3 and have a value of $125.5 billion. 4 Of the total U.S. sales, over 420,000 are domestically produced vehicles and nearly 13,000 are imported vehicles. The United States is the largest medium and heavy duty truck market in the world, accounting for 43.5% of the world market, followed by the Asia-Pacific region with 30.8% of the market and Europe with 17.4% of the market. 5 Figure 1.9 illustrates the distribution of the global medium and heavy truck market. The medium and heavy duty vehicles comprise slightly less than 6.5% of all motor vehicle sales, with medium duty trucks accounting for over 250,000 sales and heavy duty trucks accounting for over 180,000 sales annually. primarily of class 3 vehicles (over 53% of units sold) while the heavy duty vehicle market consists primarily of on-road interstate trucks in the Class 8 category (over 73% of units sold). 7 Table 1.1 contains sales data pertaining to the United States truck market. The annual production and sales of this class of vehicle are highly cyclical. The heavy duty vehicle sector, similar to that of light duty vehicles, is affected by the economic forces of the general economy, but its cycles are also affected by governmental regulation. Most recently, Class 8 sales have been on a downward trend since 2006, when their sales peaked at over 280,000 units. The peak was led by a need to replace the fleet of Class 8 rigs as they aged and by operators who wanted to purchase vehicles before new EPA pollution regulations on diesel engines took effect in that year. Since 2006, annual sales fell to just over 150,000 in 2007 and continued to decrease to around 133,000 units in 2008, similar to sales numbers from 2001 to 2003. 9 U.S. production of heavy duty trucks ranges from 200,000 to 300,000 units annually with assembly facilities employing just over 26,000 in 2009, dropping from approximately 28,700 individuals in 2008, and 36,800 individuals in 2006. 10 In addition to manufacturing heavy duty trucks, over 20,000 individuals were employed manufacturing trailers in 2009 (down from 30,300 in 2008 and 39,700 in 2006). number of individuals who work as suppliers to the heavy duty truck OEMs. These suppliers, in many cases, supply both heavy duty and light duty motor vehicle manufacturers. These vehicles are instrumental in keeping America’s economy going by transporting goods and products in a timely and cost-effective manner. As of 2007, over 68% of America’s freight—by gross tonnage — is hauled by truck. When considering the value of shipments, this figure climbs to around 70%. 12 Between 1965 and the present, use of heavy duty trucks on the highway has increased by a factor of nearly five ─ from almost 32 billion vehicle miles traveled (VMT) in 1965 to over 145 billion VMT in 2007. 13 Meanwhile, medium duty trucks have increased their use by a factor of nearly four ─ from just over 27 billion VMT in 1970 to almost 82 billion VMT in 2007. Figure 1.10 displays the increases in total VMT for these two vehicle classes.4

**The Auto industry increases job growth in every state- even those without manufacturing plants**

**Hill et al 10-** Sustainable Transportation and Communities Group and Project Lead, Project Manager of the center for automotive research, Research Associate at the center for automotive research, (Kim, Debbie Menk, Adam Cooper, “Contribution of the Automotive Industry to the Economics of All Fifty States and the Unites States”, <http://www.oesa.org/Doc-Vault/Industry-Information-Analysis/CAR-Economic-Significance-Report.pdf0>.

The motor vehicle industry’s breadth and depth of operations extends into every state economy in the nation. The industry impacts an unusually large number of individual communities because the supplier network is spread across many states. Beyond that, motor vehicle dealerships have a presence in nearly every community in the country. The tables in this section examine the estimated employment and income contributions of the industry to individual state economies. Even for those states with relatively few direct jobs in the industry, the number of jobs supported by the industry is significant. In many states, large numbers of jobs are generated due to the state’s proximity to manufacturing or technical facilities located in a neighboring state. All states see major additional impact from substantial numbers of spin-off jobs resulting from the spending of direct and indirect employees of the industry. The automotive industry is a mature industry, with assembly and parts manufacturing plants well established throughout most of the states east of the Mississippi, as seen in Figure 2.1, which shows the top states for OEM employment, as a percentage of state population. Many states in the Midwest are well known for supporting a strong base of manufacturing. The entire Midwest is connected by a strong and efficient network of road and rail systems. This transportation integration provides intra-state and inter-state options for sourcing intermediate goods and supplies to manufacturing operations. It is this broad, efficient network of suppliers (located across many states) which leads to the dispersion of total employment contributions from manufacturing operations to all areas of the nation. Figure 2.2 below shows the impact of employment in the industry for motor vehicle assemblers, parts, systems and components manufacturers, motor vehicle dealerships, and the suppliers to these operations. This map does not include expenditure-induced employment. It is a portrayal of the direct impacts of employment and suppliers to the industry. As can be seen, the industry provides significant numbers of jobs to every state in the nation. Each individual state’s economic impact is one effect of the total contribution of the industry to the nation. That is, jobs in one state are not only attributable to investment in that state, but are supported by the auto industry’s investments and activities in nearby states as well. Therefore, an employment multiplier is not calculated for any individual state. Employment multipliers apply to the national economy and are not applicable to, nor can be derived from, any one state’s economy

## \_\_\_\*\*2nc XTs/A2s

### a2 Link Turn – 2nc

**The link turn is a ruse – the auto industry pretends to support mass transit as a means to privately crush it – The shift from private to public will not only shift to public transportation, but will crush any revenue the auto industry receives from status quo buses**

**Snell 74** - former antitrust attorney for the United States Senate, and a scholar with the Brookings Institution (Bradford C., “ AMERICAN GROUND TRANSPORT A Proposal for Restructuring the Automobile, Truck, Bus & Rail Industries”, <http://www.worldcarfree.net/resources/freesources/American.htm>)//RK

Absent a powerful and unequivocal rail transit lobby, those interested in balanced transportation are no match for the organized highway interests. Legislators including Senators Kennedy, Muskie, and Weicker, citizen and municipal groups such as the Highway Action Coalition and the League of Cities, Mayors Alioto (San Francisco), White (Boston), Daley (Chicago), and numerous others have failed repeatedly to shift anything other than token amounts of State and Federal gas tax revenues from highways to rail transit.304 As an apparent consequence, national transportation policy principally reflects the legislative objective of the automakers: building more highways which sell more cars and trucks. Publicly, the automakers proclaim their support for mass transit. They cultivate this seemingly paradoxical image for two reasons. First, a protransit posture at a time of petroleum shortages and environmental concerns is good for public relations. Second, and perhaps more importantly, they seek to control and direct the development of nonautomotive transport technology in a manner least threatening to their fundamental interest: selling cars. In this regard, Ford is developing “horizontal elevators” and PRT (personal rapid transit) vehicles capable of moving people short distances within strictly downtown areas.305 Ford’s transit vehicles would compete, therefore, not with automobiles but with pedestrians. Likewise, General Motors is engaged in a continuing effort to divert Government funds from rapid rail transit, which seriously threatens the use of cars in metropolitan areas, to GM buses, which fail consistently to persuade people to abandon their autos. In place of regional electric rail systems, for instance, it promotes diesel-powered “bus trains” of as many as 1,400 units, each spaced 80 feet apart.306 Instead of urban electric rail, it advocates the use of dual-mode gas/electric vehicles which would be adapted from GM’s minimotor homes.307 In sum, the automakers embrace transit in order to prevent it from competing effectively with their sales of automobiles.308 General Motors’ diversification into the buses and rail industries and the asymmetrical distribution of power between automakers and rail builders would appear to have contributed at least in part, therefore, to the decline of competing alternatives to motor vehicles. By 1973 five different forms of nonautomotive transportation had either disappeared or been seriously impaired: electric streetcars, trolley coaches, interurban electric railways, buses, and trains. In short, diversification and asymmetry in ground transport manufacturing may have retarded the development of mass transportation and, as a consequence, may have generated a reliance on motor vehicles incompatible with metropolitan needs.

**The transition would be too quick**

**Pollin and Baker 9** Co-director and Professor of Economics, Political Economy Research Institute at @ UMass; AND co-founder of the Center for Economic and Policy Research (Robert; Baker, December 2009, “Public Investment, Industrial Policy and U.S. Economic Renewal,” Political Economy Research Institute’s Center for Economic and Policy Research, http://www.peri.umass.edu/fileadmin/pdf/working\_papers/working\_papers\_201-250/WP211.pdf)

At the same time, particularly within a shorter-run framework, there are problems with relying too heavily on rail systems as the primary focus of public transportation investments. The most evident shorter-term concern is that these systems require years of planning and spending before they come on line and communities enjoy the benefits. But in addition, the United States, at present, has virtually no capacity to build mass transit systems and vehicles. Subway cars used in the U.S. are supplied by French, German and Japanese companies. Other kinds of mass transit vehicles are built either in South Korea or Germany. As Jonathan Feldman (2009) reports, the U.S. was once a technological leader in this field, and could become so again. But this will take years of steady support in terms of research and development as well as public procurement contracts. Finally, to the extent that overall transportation funding is shifted to rail systems, this would represent an additional blow to the U.S. auto industry. While the transition away from the auto is needed, this has to be accomplished in a way that creates the least amount of harm to working people and communities that have already been suffering as a result of the auto industry and manufacturing sector crisis.

**Transition destroys the auto industry before they can expand production**

**Karlin 9** founder, editor and publisher of BuzzFlash at TruthOut organization (Mark, December 2009, Chosen to appear in Bloomberg’s Business Week, “Americans Should Buy U.S. Cars, Period,” Business Week, http://www.businessweek.com/debateroom/archives/2009/02/americans\_should\_buy\_us\_cars\_period.html#share)

A short time ago, my wife and I bought an American car, a Ford (F) Focus, and I left the dealership feeling very proud. I didn’t expect that—the pride in doing our small part to help maintain the U.S. auto industry while it reinvents itself—but it was there. We’re Americans, and we are assisting American skilled workers and an industry that is essential to our nation’s economic recovery, as well as one potentially significant to our national security (as it was in World War II). Some private industries are integral to long-term national financial viability. The Detroit car industry—like our aircraft manufacturing capacity—falls into this category. We are all aware that in today’s global economy some parts on U.S. cars are from overseas, and even some models are assembled elsewhere. But the fact remains that a nation that abandons its core manufacturing base is committing itself to economic dependence on overseas corporations and countries. So the question for my wife and me was this: Do we go with a slightly higher-rated foreign compact or an American car that has just about caught up? We didn’t have to ponder long. Detroit and the UAW need consumers to believe in the present and future of a revitalized U.S. transportation industry. And yes, I fully support transportation diversification into high-speed trains, mass transit, and other alternatives to cars, but it’s easier to branch out from an existing production capacity than to start from scratch. The best economic investment in realizing that goal is to buy an American car.

### UQ XT – Auto Sales

**Americans are purchasing more cards on average per year.**

**Bryant 12**- researcher for the auto marketing forecast, (Shannon, march 28, “American automotive industry poised for renewed growth in 2012”, <http://www.marketingforecast.com/archives/17711>).

Scarborough’s automotive study reveals that 7% of American households, representing 8 million households, plan to purchase a new vehicle in the next year. Further, more than half (65%) of American households currently have a domestic vehicle, and 46% of these domestic vehicle households purchased those domestic vehicles new. 42% of American households that own domestic new vehicles either plan to purchase a new vehicle in the next 12 months or already own a domestic vehicle which was purchased new in model year 2000 or earlier – representing purchase opportunity. “This automotive study further explores the Domestic New Vehicle Owner revealing where they can be reached and identifying activities and issues that are important to them,” says Brian Condon, executive vice president of commercial development for Scarborough. “By understanding the Domestic New Vehicle Owners, manufacturers, dealers, media companies and marketers can capitalize on these prospective consumers and convert them into domestic new vehicle sales this coming year.”

### UQ – a2 Oil Prices

**Oil prices are dropping this summer.**

**Press release 6/25**/12 (“Bleak economic outlook pushes oil and gas lower”, <http://www.cedartownstd.com/pages/full_story/push?article-Bleak+economic+outlook+pushes+oil+and+gas+lower%20&id=19098380>).   
Oil prices dropped below $80 last week for the first time in almost 10 months after reports forecasted a continued bleak economic outlook. The U.S. Energy Department forecast oil demand in the U.S. and Europe will fall for the second year in a row after the first half of 2012 reflected slower growth than initially expected. Oil stockpiles are at their highest level in 22 years and increased by 2.9 million barrels last week to 387 million barrels. Manufacturing numbers continue to slide in the U.S., China, and Europe—the world's largest oil consuming countries—and job growth remains minimal. Although global leaders are working to put together an economic stimulus plan, the process is expected to take time and is not likely to cause an immediate spike in fuel costs. A barrel of oil closed Friday at $79.76 on the New York Mercantile Exchange—$4.27 less than the week prior. "At this point, retail gasoline prices are forecast to continue their decline into the heart of the summer travel season," said Jessica Brady, AAA spokeswoman, The Auto Club Group. "Even if economic stimulus measures are put into place, it's going to take time for a recovery and demand numbers to rebound. While it's not good news that has caused oil and gas prices to fall, it does provide relief to motorists who expected to pay $4 or more for a gallon of gas this summer." The national average price of regular unleaded gasoline is $3.42, 8 cents less than last week. Georgia’s average of $3.21 decreased 5 cents from last week, Florida’s average of $3.26 fell 6 cents, and Tennessee’s average price of $3.10 dropped 7 cents from last week, respectively. Visit AAA’s Daily Fuel Gauge Report to find national, state, and local metro market retail gasoline prices.

**Oil prices down- OPEC’s prices and Saudi econ dropped.**

**Bloomberg 6/23/12**- Bloomberg news by Glen Carey, (“Saudi Shares Drop On Oil Price Decline, Fed Economic Forecast”, <http://www.bloomberg.com/news/2012-06-23/saudi-shares-drop-on-oil-price-decline-fed-economic-forecast.html>).

Shares in Saudi Arabia, the only Gulf Arab stock market open on Saturdays, fell the most in more than a week as oil prices declined and after the U.S. Federal Reserve cut its economic forecast. [Saudi Basic Industries Corp. (SABIC)](http://www.bloomberg.com/quote/SABIC:AB), the world’s largest petrochemicals maker known as Sabic, dropped for the first time in four days. [Saudi Kayan Petrochemical Co. (KAYAN)](http://www.bloomberg.com/quote/KAYAN:AB) fell the most since June 12. [Al-Rajhi Bank (RJHI)](http://www.bloomberg.com/quote/RJHI:AB), the biggest by market value, lost the most in a week. The [Tadawul All Share Index (SASEIDX)](http://www.bloomberg.com/quote/SASEIDX:IND) retreated 0.9 percent 6,774.26 in Riyadh at the close. Stocks “are clearly responding to downward pressure in oil,” [Jarmo Kotilaine](http://topics.bloomberg.com/jarmo-kotilaine/), chief economist at Jeddah-based National Commercial Bank, said in a phone interview. “The oil price is something that fuels the fiscal engine and the broader economic mood.” Saudi Arabia, the biggest Arab economy that depends on oil exports to support government spending, is the largest producer in the Organization of Petroleum Exporting Countries. OPEC’s basket of crudes dropped on June 22 below $90 a barrel for the first time in more than 17 months. Fed officials lowered their forecasts for U.S. economic growth and raised their predictions for unemployment in each of the next three years. Policy makers now see 1.9 percent to 2.4 percent growth in 2012, down from their April forecast of 2.4 percent to 2.9 percent. The Saudi market is “slightly down because of the reduced growth rates in the U.S.,” Turki Fadaak, head of research at Albilad Investment Co. in [Riyadh](http://topics.bloomberg.com/riyadh/), said today. Sabic declined 0.5 percent to 91.5 riyals, the lowest close since June 18, while Saudi Kayan fell 1 percent to 15.1 riyals. Al-Rajhi dropped 1 percent to 73.5 riyals.

### UQ – a2 Struggling

**Auto industry is high- not on the brink**

**Bastian, 11/20/11**- area developer and writer for proquest, (A. ”Turbo-Charged Auto Industry Racing Into 2012”, <http://search.proquest.com.proxy.lib.umich.edu/docview/912208589>).

Several months after that industry appearance, McElroy spoke to Area Development about the U.S. auto market's rocketing upwards ride in an uncertain economy that is still wobbling. "Despite the woes you hear, the meltdown and uncertainty, the auto industry in the United States - and globally - is doing pretty well right now," he noted. "For whatever reason, sales are decent in the 'New Normal/ but nowhere near where they were four years ago. However, Detroit automakers are now profiting due to restructuring. They closed a lot of factories due to the 2008 sales collapse when the credit markets closed. But now, with more competitive labor agreements, it makes sense for them to build more in the United States, retool and refurbish existing plants, and insource work now that labor rates are under control." Domestic Automakers on a Roll For example, in July, GM announced that its powertrain plants in Ohio and Indiana would get the bulk of a $129 million investment. The plants produce transmissions for Buick and Chevrolet models that incorporate eAssist fuel-saving technology. The monies are part of GM's $2 billion investment in 17 facilities in eight states that are expected to create or retain 4,000 jobs. GM also broke ground on its $331 million expansion of its Arlington, Texas, assembly plant in October. The facility will make future Chevrolet Tahoes, Suburbans, GMC Yukons, and Cadillac Escalades. When completed, the company could add 100 jobs to the plant's 2,500-plus positions. Recently, GM's CEO Dan Akerson told Automotive News that he predicts flat industrywide U.S. auto sales in 2012. However, he believes the company can continue to be prosperous due to a low break-even point that came about in part by its new UAW labor contract. The newspaper also reported that GM told analysts it can turn a profit at a 10.5 million-unit U.S. sales pace, which is at least 16 percent under the sale volume number Akerson anticipates next year. And in mid-October, Chrysler reached a tentative labor agreement with the United Auto Workers (UAW). The accord would add 2,100 jobs and includes $4.5 billion of plant investments that, according to the union, will produce new models plus upgraded vehicles and components by 2015. In particular, it has been reported that three plants in southeast Michigan could attract over $1.2 billion in investment and 250 new jobs, in addition to nearly 2,800 jobs retained.

### 2nc – Rail/HSR L

**There’s a strong modal shift between rail and auto**

**International Transport Forum 9** intergovernmental organisation with 54 member countries. It acts as a strategic think tank for transport policy and organises an annual summit of ministers. (October 2009, “Competitive Interaction Between Airports, Airlines, and High-Speed Rail,” Organisation for Economic Co-operation and Development, http://www.internationaltransportforum.org/jtrc/discussionpapers/DP200907.pdf)

The French situation was mentioned as one where capacity in aviation was a crucial factor in the assessment of high‐speed rail projects. Some French TGV connections brought about a substantial shift from air to rail29, freeing up scarce capacity (valuable slots) in aviation30. This effect occurs irrespective of whether low‐cost or other carriers might provide service between the cities linked by the high‐speed rail connection. Furthermore, since high‐speed rail uses separate facilities, it can also free up capacity for rail freight and for regional passenger transport. It was noted, however, that in many cases the main (expected) modal shift in response to a high‐speed rail connection is from road to rail, not from air to rail.

### **! XT – Manufacturing**

( \_\_\_ ) More ev – it’s vital to manufacturing

Ronis, 06 – Ph.D, Large social system behavior, Distinguished Fellow and Vision Working Group leader of the Congressionally mandated Project on National Security Reform (PNSR), President of The University Group, Inc., a management consulting firm and think tank specializing in strategic management, visioning, national security, and public policy. (Shelia R., “Erosion of the U.S. Industrial Base and its National Security Implications”, July 17, 2006, http://www.uscc.gov/hearings/2006hearings/written\_testimonies/06\_07\_17wrts/ronis\_statement.pdf)//CH

The Defense Department’s Diminishing Manufacturing Sources and Material Shortages (DMSMS) program, monitors spare part shortages regardless of cause. DMSMS is the loss or impending loss of manufacturers or suppliers of critical items and raw materials due to production discontinuance. DMSMS can be caused by rapid changes in item or material technology, uneconomical production requirements, foreign source competition, federal environmental or safety requirements, and limited availability or increasing cost of items and raw materials used in the manufacturing process. The problem is further complicated by a reduction in the industrial base dedicated to production of military equipment. In fact, the Defense Department now accounts for less than one-half of 1 percent of total microelectronic component sales, for example. In addition, aging fleets of ships and aircraft have lost their original supplier-base of constituent mechanical, hydraulic and other components. The DMSMS database is an example of how badly the industrial base is deteriorating. According to the Government Industry Data Exchange Program (GIDEP), in 2002, “1,523 manufacturers reported 253,832 DMSMS parts. According to the Air Force DMSMS Guide, “In today’s high-tech Air Force, the ultimate performance of aircraft, missiles, and numerous other weapon systems depends on a multitude of important and often complex components. When one of these components (e.g. a microcircuit) becomes obsolete or unavailable, the impact can extend throughout the weapon system affecting cost and system readiness.” The services are all trying to “lessen or eliminate the risks caused by parts non-availability before the weapon system is adversely affected.” The commercial manufacturers increasingly lose interest in supporting the military market because it is so small. Many manufacturing companies find that it is not economically feasible to support very small volumes over long periods of time. All the services have DMSMS issues. As an example for the DMSMS effort at the Air Force Research Laboratory at Wright- Patterson AFB, “DMSMS impacts every weapon system in the inventory – past, present and future....” The Air Force has said that DMSMS is driven by many factors but one reason is the extended weapon system’s life in the Air Force inventory. For example, B-52s may be used more than 94 years, C-130s, more than 79 years, C-135s, more than 86 years and the F-15, more than 51 years. None of these planes was designed to fly that long. So, mission capable systems and readiness are put at risk if DMSMS issues are left unresolved. What is not always understood is the reality that the auto industry affects DMSMS at DoD because the industrial infrastructure that supports the Department of Defense is shared by the auto industry. When a tier supplier to the automobile industry goes under whether it is a machine tool company or in micro-electronics, it reduces DoD’s ability to function and solve its DMSMS problems.

### ! XT – Naval Power

**Auto industry key to US navy - shipbuilding**

**Ronis, 06** – Ph.D, Large social system behavior, Distinguished Fellow and Vision Working Group leader of the Congressionally mandated Project on National Security Reform (PNSR), President of The University Group, Inc., a management consulting firm and think tank specializing in strategic management, visioning, national security, and public policy. (Shelia R., “Erosion of the U.S. Industrial Base and its National Security Implications”, July 17, 2006, http://www.uscc.gov/hearings/2006hearings/written\_testimonies/06\_07\_17wrts/ronis\_statement.pdf)//CH

In May 2001, the U.S. Department Of Commerce’s Office of Strategic Industries and Economic Security, in partnership with the Carderock Division of the Naval Surface Warfare Center, completed a three-year national security assessment of the U.S. shipbuilding and repair industry. Some of the findings were disconcerting though related to both DMSMS and the auto industry. According to the study, employment in the industry has “dropped sharply since the early 1980s, when total private employment was close to 180,000 workers. Survey estimates indicated that employment would decline to about 83,500 in 2000.” In addition, “orders for U.S. warships have declined 60 percent during the 10 years since the end of the Cold War.” Young people no longer view working in a shipyard as a viable way to make a living. Consequently, according to DOC, “survey responses indicate that labor shortages have reduced profits, impacted construction costs, and delayed project completion for most shipyards.” According to the study, the basis for U.S. ship-building superiority has been the research and development expertise that currently resides in Navy’s laboratories, acquisition commands, and certain shipbuilders and universities. “Collectively, these organizations have conceived and designed most of the state-of-the-art hull, mechanical, electrical, power projection, air defense and undersea warfare capabilities that are operational today. With reduced research and development budgets, some of that capability now is becoming fragmented.” Many lower tier companies supply to both the auto industry and shipbuilding, but the auto industry is much larger. This situation in shipbuilding also exists in other industries, such as machine tools, the high performance explosives and explosive components industry, cartridge and propellant actuated device sector and welding and all of these industries share the bottom of the base with the auto industry.

# \*\*\*SECURITY TRADEOFF\*\*\*

## \_\_\_\*\*Shell

### 1nc

**The Homeland Security budget in 2012 is set – no controversy coming**

**Taylor 6-7**-2012- writer for Associated Press (Andrew, “House passes homeland security spending bill”, The Statesman, http://www.statesman.com/news/nation/house-passes-homeland-security-spending-bill-2395977.html)

WASHINGTON — The GOP-controlled House passed a $46 billion measure Thursday funding the Homeland Security Department, including more than $5 billion in disaster relief spending that complies with a budget agreement last summer opposed by tea party conservatives. The 234-182 vote was unusually partisan. Homeland security programs traditionally have enjoyed widespread support, but the Obama administration issued a veto threat against the bill in a protest over unrelated budget cuts proposed by Republicans in excess of last summer's budget and debt deal.

**The GOP demands funding offsets for the plan**

**Wall Street Journal 11** – ( “Legislative Hearing on H.R. 104, the Realize America's Maritime Promise (RAMP) Act”, ProQuest Congressional, July 5th 2011)//MG

So far the White House, locked in a showdown with Republicans on next year's budget, says only that it is reviewing the situation. The administration has not made a determination about whether a supplemental funding request is necessary,” said Meg Reilly, an Office of Management and Budget spokeswoman. Efforts to get funding via legislation are moving through the House, but are far from passage. Sen. David Vitter, a Republican from Louisiana, said be strongly supported more dredging funds but that any additional money would require reductions elsewhere in the federal budget for his Republican colleagues to come aboard. He wouldn’t say where those cuts should be, but noted that many Congressional leaders now think an emergency supplemental bill for recent floods and tornadoes is coming. Such a bill should include dredging money, he said.

**Specifically, Biowatch is at a critical juncture – the plan sets it behind schedule and delays operational trials**

**NTI, ’12** – Nuclear Threat Initiative (NTI) is a nonprofit, nonpartisan organization with a mission to strengthen global security part of the national journal (April 5 2012, Procurement of Next-Generation Bioagent Sensors Falling Behind) <http://www.nti.org/gsn/article/development-next-generation-bioagent-sensors-falling-behind/>

The program to procure more advanced sensors that could sound the alarm in the event of a biological weapons attack has fallen off schedule, a senior Homeland Security Department official told U.S. lawmakers last week (see [GSN,](http://www.nti.org/gsn/article/bioagent-detection-program-testing-next-generation-sensors/) Oct. 20, 2011). Homeland Security Health Affairs Office chief Alexander Garza said "there's going to be slips in the schedule and there's nothing that I can do -- that anybody can do -- to prevent those," according to FierceHomelandSecurity.com. Garza's agency is trying to field a third generation of Biowatch detectors with capabilities greater than existing systems, including the ability to analyze air samples and digitally deliver findings within four to six hours. Biowatch detectors now deployed in more than 30 large cities require 12 to 36 hours to deliver findings in part because their filters need to physically removed and transported to a scientific facility for study. The Health Affairs Office is seeking nearly $166.5 million in fiscal 2013 funding, $125 million of which would be directed toward the Biowatch program. The DHS branch intends to carry out operational trials and assessments of the Generation 3 sensors in four U.S. metropolitan areas.

**Bioweapons cause total human extinction**

**Parson, ‘6** – Ed, University of Michigan, “The Big One: A Review of Richard Posner’s Catastrophe: Risk and Response,” <http://www-personal.umich.edu/~parson/website/pdf/parson-jel-45-posner-catastrophe-review.pdf>.

For his fourth risk, in case you are not scared enough, Posner turns to bioterrorism. Biological weapons produced for terrorist purposes could be far more devastating than either chemical or nuclear weapons, or natural pathogens. A bacterium or virus with ideal killing properties – a high mortality rate, a long infectious incubation period, and efficient airborne transmission – and for which there was no effective vaccine or treatment, could potentially kill most or all people on Earth. While naturally occurring organisms are unlikely to grow this lethal – if you are a bacterium, it is not advantageous to kill your entire host population – genetic manipulation of existing disease organisms (e.g., smallpox or other pox viruses, or the hemorrhagic viruses Marburg and Ebola) could in principle produce new bugs this bad. While the specific difficulties of creating an effective bioterrorist agent are not well known (at least publicly) and may be severe, general capabilities for the required types of genetic manipulation are widely dispersed. About ten countries are known or suspected to have bioweapons programs, and terrorist organizations have tried to develop them. Suitable lab facilities exist in dozens of countries.