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### Plan

#### The United States Federal Government should exclude crude oil and natural gas production from Exon-Florio reviews.

### Investment

#### Contention 1- investment

#### The United States currently submits all foreign investment deals related to oil and gas production to the Committee on Foreign Investment in the United States, known as CFIUS. These restrictions chill foreign investment and send a signal of US protectionism.

Wilson Center 5-31-12 (Chinese Investment in North American Energy, http://www.wilsoncenter.org/event/chinese-investment-north-american-energy)

While Chinese foreign energy investment is on the rise, the more notable story is China’s shift from a net importer of capital to a nation of massive capital outflows, said Adam Lysenko of the Rhodium Group. Energy investment—initially stalled in the wake of the aborted acquisition of Union Oil Company of California (UNOCAL) by China National Offshore Oil Corporation (CNOOC) in 2005—has increased exponentially with $18.3 billion in bids in 2011 alone. Learning lessons about American protectionism, Chinese firms have changed their strategies since the failed UNOCAL deal and now have made multiple smaller investments that will not attract unwanted political attention. In addition to raw materials, Chinese companies are looking to gain expertise in exploiting these resources for use at home. As for alternative energy, Chinese companies are starting to invest in North American production to get around tariffs. Currently, the Committee on Foreign Investment in the United States (CFIUS) process appears adequate, but the political environment is hurting investment unnecessarily. Lysenko added that many Chinese firms are starting new corporations in the emerging alternative energy industry to avoid CFIUS scrutiny. In order to keep Chinese investments growing, the United States has to find a way to separate national security from politics. While Chinese investment has increased exponentially in the last four years, its total impact should not be exaggerated, said Bo Kong from Johns Hopkins School of Advanced International Studies. CNOOC’s difficulty in acquiring UNOCAL jaded many Chinese investors from investing in the United States, which significantly slowed the flow of investment in the North American energy industry. Chinese companies’ hesitancy to repeat the failure of the UNOCAL deal and American companies’ concerns about both political interference and intellectual property (IP) theft have tempered Chinese investment in North America. However, smaller and more diverse investments on the part of Chinese companies and more safeguards to protect U.S. IP should help accelerate investment in the future. All three Chinese state-owned oil companies are also listed on the New York Stock Exchange, which indicates a willingness to be more transparent. Getting more Chinese companies involved in research and development will lead to a greater respect for international IP laws. Historically, Japan and South Korea were not good stewards of intellectual property, but as both nations started to develop their own technology, they began to respect IP laws. Many feel that increased investment by Chinese firms in research and development will lead to a similar evolution. While China is a resource-hungry and growing country, the real benefit to North American investment is not the energy extracted but rather the techniques and knowledge gleaned from U.S. and Canadian companies, which will allow China’s companies to better extract resources at home.

#### Scenario 1- Protectionism:

#### Global trade is on the brink of collapse- rising US protectionism risks global escalation.

Lincicome 12 (Scott, trade attorney, “Is Missing American Trade Leadership Beginning to Bear Protectionist Fruit? (Hint: Kinda Looks Like It),” June 12, http://lincicome.blogspot.com/2012/06/is-missing-american-trade-leadership.html)

Over the past few years, I and several other US trade-watchers have lamented the United States' dwindling leadership on global trade and economic issues and warned of that trend's troubling potential ramifications. It appears that at least one of our breathless predictions may finally be coming true. Starting in mid-2009 - when it became depressingly clear that the Obama administration viewed trade in mostly political terms and thus would not be advancing a robust, proactive free trade agenda - we free traders expressed grave concern that US recalcitrance could harm not only US companies and workers, but also the entire global free trade system. As I explained in a 2009 oped urging the President to adopt a robust pro-trade agenda (as outlined in this contemporary Cato Institute paper): Since the 1940s, the US has led the charge to remove international barriers to goods, services and investment. The result: a global trade explosion that has enriched American families, spurred innovation, enhanced our security and helped millions escape poverty. Every US president since Herbert Hoover has championed free trade because of its proven benefits.... Because of today's rules-based multilateral trading system and the interdependence of global markets, US fecklessness on trade shouldn't lead to devastating protectionism akin to the Smoot-Hawley-induced tariff wars of the 1930s. But it's still a problem. In 2008, global trade contracted for the first time since 1982, and protectionist pressures abound. The WTO's Doha Round is comatose, even though an ambitious deal could inject US$2 trillion into the reeling global economy. Considering the US has steered every major trade initiative in modern history, any chance for significant progress on trade will disappear without strong American leadership - in word and deed. Since that time, the President has clearly not taken free traders' advice. The WTO's Doha Round is dead, despite a pretty good opportunity to force the issue back in late 2010. The Obama administration took three years to implement already-dusty FTAs with Korea, Panama and Colombia and actually insisted on watering the deals down with new protectionist provisions in order to finally agree to move them. And while countries around the world are signing new trade agreements left and right, we've signed exactly zero and have eschewed important new participants and demanded absurd domestic protectionism in the one agreement that we are negotiating (the TPP). Meanwhile, on the home front the President has publicly championed mercantilism, as his minions quietly pursued myriad efforts to restrict import competition and consumer freedom, embraced competitive devaluation and maintained WTO-illegal policies (while publicly denouncing protectionism, of course). Pretty stark when you lay it all out like that, huh? Despite this depressing state of affairs, it did not appear that the United States' diversion from its long free trade legacy had resulted in a tangible increase in global protectionism (although the death of Doha certainly isn't a good thing). Unfortunately, a new blog post from the FT's Alan Beattie indicates that those chickens may finally be coming home to roost: One of the very few bright spots in governments’ generally grim recent performance of managing the world economy has been that trade protectionism, rampant during the Great Depression, has been relatively absent. That may no longer be the case. The WTO, fairly sanguine about the use of trade barriers over the past few years, warns today that things are getting worrying. The EU made a similar point yesterday. And this monitoring service has been pointing out for a long time that a lot of the new forms of protectionism aren’t counted under the traditional categories, thanks to gaping holes in international trade law. After glancing at the bi-partisan protectionism on display in the 2012 US presidential campaign, Beattie concludes that, on the global trade stage, "things are looking scarier than they have for a while." I'm certainly inclined to agree, and one need only look South to Brazil's frighteningly rapid transition from once-burgeoning free trade star to economically-stagnant, unabashed protectionist to see a scary example of why. And while I agree with Beattie that the world still isn't likely to descend into a 1930s-style trade war - we can thank the WTO and the proliferation of free market economics for that - the rising specter of global protectionism is undoubtedly distressing. And, of course, it has risen just as America's free trade leadership has faded away. Now, as we all know, correlation does not necessarily mean causation, and it's frankly impossible to know just how much the dearth of US trade leadership has actually affected global trade policies. But I think it's pretty safe to say that it certainly hasn't helped matters. Just ask yourself this: how can the US admonish Brazil or any other country about its distressing mercantilism when the President is himself routinely preaching - and his administration is busy implementing - similar policies? How can we decry the global "currency wars" when we're discretely advocating a similar strategy? How can we push back against nations' increasing use of market-distorting subsidies or regulatory protectionism when we're.... I think you get the idea. As I've frequently noted here, it was a Democrat - Secretary of State Cordell Hull - who over 70 years ago began a global free trade movement that until very recently had been led - in word and deed - by Republican and Democratic administrations alike. And while the distressing recent spike in global protectionism may not have been caused by a lack of American trade leadership, it is very, very likely not going to recede until the United States regains its long-held place at the front of the trade liberalization pack.

#### And, restrictions on oil and gas investments explode the scope of foreign investment CFIUS reviews. This expansion of the CFIUS process is a protectionist tool to keep out investment.

Carroll-Emory International Law Review-09 (James, COMMENT: BACK TO THE FUTURE: REDEFINING THE FOREIGN INVESTMENT AND NATIONAL SECURITY ACT'S CONCEPTION OF NATIONAL SECURITY, 23 Emory Int'l L. Rev. 167)

II. Post 9/11 Application of Exon-Florio After 9/11, the CFIUS process shifted to focus more on threats from non-state actors, most noticeably by including the Department of Homeland Security (DHS) among the departments heading the CFIUS board. This shift in focus resulted in the scrutiny of several transactions that did not fit into the traditional military-based interpretation of national security, such as the Chinese purchase of an oil company and the purchase of the operation of ports by an Arab company. The change in the Exon-Florio process culminated in the passage of FINSA, which codified a much broader interpretation of national security that encompassed energy assets and other critical infrastructure. A. A Shift in Foreign Policy Perspective Unsurprisingly, the terrorist attacks of 9/11 dramatically changed the American perspective on national security, including the scrutiny of foreign investment. When Exon-Florio passed, at the end of the Cold War, U.S. foreign policy was still focused on the realist, state-based model of international relations. 86 This realist model largely envisions foreign policy as a competition between states, in which states struggle to find the proper balance between deterrence and reassurance of other governments regarding their good intentions. 87 According to traditional conceptions of realism, non-governmental actors have little or no significant role to play in international relations. 88 The end of the Cold War and the widening web of globalization broadened the spectrum of foreign policy considerations somewhat, but it was not until after 9/11 that the U.S. national security apparatus really shifted to focus more on a range of non-state security threats. 89 The very nature of the 9/11 attacks made it clear that the instruments of globalization could be used to attack the international order itself, and there was a resultant effort on the part of the United States to secure various commercial facilities, such as airports, [\*180] chemical factories, and ports 90 - exemplified in the formation of the DHS to coordinate domestic security measures against terrorism. Consistent with the realist vision of foreign policy, Exon-Florio had focused on state-based acquisitions of defense-related technologies prior to 9/11, with an emphasis on the unique capabilities acquired by foreign governments or "lost" to the United States present in each transaction. 91 As part of the general paradigm change toward considering threats from non-state actors after 9/11, President Bush added the head of the DHS to the CFIUS board in February 2003. 92 Perhaps not coincidentally, "between January 2003 and December 2005, there were six [CFIUS] investigations, and five withdrawals, more than the previous ten years combined." 93 In 2006, the CFIUS conducted seven investigations, the most ever in a single year. 94 B. The Unocal Incident: Protectionism Run Amok The response to the attempt of CNOOC to purchase Unocal, an American oil company, exemplified the tighter CFIUS approach. 95 CNOOC, a Chinese state-owned oil company, regularly purchased foreign oil companies to create joint-ventures between itself and the foreign companies. 96 The Chinese government recognized that there would be a CFIUS review under the Byrd Amendment, since CNOOC was state-owned, but felt that ultimately there was no security risk and that the transaction would pass the CFIUS review. 97 However, on June 24, 2005, 41 members of Congress from both parties wrote to President Bush urging a thorough CFIUS review of the sale. 98 The letter justified the review by raising questions about "whether CNOOC was using Chinese government funds to make the purchase and whether China [\*181] would be acquiring sensitive technology." 99 Congress followed up this letter with the introduction of a resolution in the House on June 29, 2005, that recognized oil and natural gas as strategic national assets and argued that the purchase of Unocal would allow for the oil reserves to be preferentially sent to China - instead of purchasing them on the open market - thus opening up the possibility of China utilizing the "oil weapon" against the United States. 100 China hawks 101 echoed these arguments, claiming that the deal would give China more leverage over the international oil market and that regardless of the facts of the transaction, the symbolic nature of giving into China's resource goals should be prevented at all costs. 102 Unsurprisingly, hawkish arguments toward China played a large role in congressional opposition to the deal. 103 The Bush administration kept relatively quiet during the Unocal controversy, 104 and eventually CNOOC withdrew their bid in the face of the negative publicity. 105 The most remarkable aspect of this episode was the congressional majority's attempt to implicitly redefine national security. The definition of national security was no longer limited to technologies that were at least arguably related to the national defense industrial complex. Congressional opponents of the Unocal sale used public debate surrounding the deal to include energy assets in an expanded interpretation of national security and continued the long-running congressional struggle to use Exon-Florio and the CFIUS review process as a protectionist tool to prevent foreign investment in U.S. industry. 106 Previous CFIUS reviews focused on technological acquisitions that could allow foreign countries unique access to U.S. military capabilities, 107 in contrast to energy companies, which had no [\*182] direct connection to the military. If national security can also mean "important to the United States economy," as energy assets no doubt are, then the definition of national security differs in no meaningful sense from the original "essential commerce" bill that Reagan threatened to veto in order to strip the economic security provisions.

#### And, expanding the scope of CFIUS reviews undermines US trade leadership and triggers retaliation. The impact is global wars.

Carroll-Emory International Law Review-09 (James, COMMENT: BACK TO THE FUTURE: REDEFINING THE FOREIGN INVESTMENT AND NATIONAL SECURITY ACT'S CONCEPTION OF NATIONAL SECURITY, 23 Emory Int'l L. Rev. 167)

C. Economic Retaliation as a Result of CFIUS Protectionism Continued use of Exon-Florio to protect American economic security could also lead to retaliation by our trading partners. 165 The United States loses much of its credibility on global trade leadership when it caves to political pressure and blocks transactions that do not pose a clear threat to national [\*190] security, as it did during the Dubai Ports incident. 166 If the Exon-Florio power continues to widen to affect foreign investment outside of direct national defense concerns, then other countries will replicate such legislation, and protectionist trade wars will escalate. 167 In fact, France, Russia, India, and Canada have already passed, or are considering, more restrictions on foreign investment as a result of what is seen abroad as U.S. protectionism disguised as the CFIUS blocking deals for national security reasons. 168 Russian legislators directly cited the U.S. example of the CFIUS when they debated the potential restrictions on foreign investment: The government has decided to use [the] experience of the US ... where there are stringent limitations for purchase of assets by foreign investors... . In the US if a foreign company is going to buy more than 5% of shares in a company that fulfills orders of the Department of Defense, [the] permit for such [a] deal is issued by the President. 169 The Russian Economy Minister, German Gref, even made the case that the proposed Russian restrictions on foreign investment would be more liberal than the CFIUS process of the United States. 170 Similarly, India retaliated against CFIUS restrictions on one of its telecom companies by placing similar restrictions on U.S. telecom firms that were attempting to enter the Indian market. 171 The Indian government felt that it needed to exclude U.S. companies as long as the United States was restricting Indian companies' transactions with American firms. 172 Both of these incidents are illustrative of a larger point: as long as the United States restricts [\*191] foreign investment unnecessarily through the CFIUS process, other countries will do likewise, inhibiting global trade. 173 Diagnosing the benefits of free trade goes beyond the scope of this Comment, but there is virtual unanimity among economists on both the benefits of foreign direct investment and free trade to the U.S. economy. 174 Without foreign direct investment, the U.S. economy would lose nearly ten million jobs. 175 A dynamic American economy is crucial to national security because without a strong economy, there would be insufficient revenue for the military and national defense. 176 If the U.S. economy were to contract even further, there could be isolationist pressure to reduce the defense budget and withdraw from international commitments. 177 Moreover, global free trade contributes to global stability by spreading democracy, integrating national economies, and dramatically raising the cost of war. 178 Support for regulation of foreign direct investment centers around unsubstantiated fears that foreign direct investment creates economic instability. 179 According to this theory, foreign ownership of important U.S. assets gives other countries the power to destabilize the U.S. economy. 180 In reality, however, foreign direct investment aligns the interests of other [\*192] countries with the United States. 181 If another country owns substantial assets in the United States, its future is tied to the American economy, and that country would be going against its own interests to take any action that may destabilize the American economy. 182

#### And, protectionism sparks great power conflict and exacerbates all global problems.

Patrick, Senior Fellow-CFR, 09 (Stewart, senior fellow and director of the Program on International Institutions and Global Governance at the Council on Foreign Relations, “Protecting Free Trade,” National Interest, March 13, 2009, http://nationalinterest.org/article/protecting-free-trade-3060?page=show)

President Obama has committed to working with U.S. trade partners to avoid "escalating protectionism." He is wise to do so. As never before, U.S. national security requires a commitment to open trade. President Obama and his foreign counterparts should reflect on the lessons of the 1930s-and the insights of Cordell Hull. The longest-serving secretary of state in American history (1933-1944), Hull helped guide the United States through the Depression and World War II. He also understood a fundamental truth: "When goods move, soldiers don't." In the 1930s, global recession had catastrophic political consequences-in part because policymakers took exactly the wrong approach. Starting with America's own Smoot Hawley Tariff of 1930, the world's major trading nations tried to insulate themselves by adopting inward looking protectionist and discriminatory policies. The result was a vicious, self-defeating cycle of tit-for-tat retaliation. As states took refuge in prohibitive tariffs, import quotas, export subsidies and competitive devaluations, international commerce devolved into a desperate competition for dwindling markets. Between 1929 and 1933, the value of world trade plummeted from $50 billion to $15 billion. Global economic activity went into a death spiral, exacerbating the depth and length of the Great Depression. The economic consequences of protectionism were bad enough. The political consequences were worse. As Hull recognized, global economic fragmentation lowered standards of living, drove unemployment higher and increased poverty-accentuating social upheaval and leaving destitute populations "easy prey to dictators and desperadoes." The rise of Nazism in Germany, fascism in Italy and militarism in Japan is impossible to divorce from the economic turmoil, which allowed demagogic leaders to mobilize support among alienated masses nursing nationalist grievances. Open economic warfare poisoned the diplomatic climate and exacerbated great power rivalries, raising, in Hull's view, "constant temptation to use force, or threat of force, to obtain what could have been got through normal processes of trade." Assistant Secretary William Clayton agreed: "Nations which act as enemies in the marketplace cannot long be friends at the council table." This is what makes growing protectionism and discrimination among the world's major trading powers today so alarming. In 2008 world trade declined for the first time since 1982. And despite their pledges, seventeen G-20 members have adopted significant trade restrictions. "Buy American" provisions in the U.S. stimulus package have been matched by similar measures elsewhere, with the EU ambassador to Washington declaring that "Nobody will take this lying down." Brussels has resumed export subsidies to EU dairy farmers and restricted imports from the United States and China. Meanwhile, India is threatening new tariffs on steel imports and cars; Russia has enacted some thirty new tariffs and export subsidies. In a sign of the global mood, WTO antidumping cases are up 40 percent since last year. Even less blatant forms of economic nationalism, such as banks restricting lending to "safer" domestic companies, risk shutting down global capital flows and exacerbating the current crisis. If unchecked, such economic nationalism could raise diplomatic tensions among the world's major powers. At particular risk are U.S. relations with China, Washington's most important bilateral interlocutor in the twenty-first century. China has called the "Buy American" provisions "poison"-not exactly how the Obama administration wants to start off the relationship. U.S. Treasury Secretary Timothy Geithner's ill-timed comments about China's currency "manipulation" and his promise of an "aggressive" U.S. response were not especially helpful either, nor is Congress' preoccupation with "unfair" Chinese trade and currency practices. For its part, Beijing has responded to the global slump by rolling back some of the liberalizing reforms introduced over the past thirty years. Such practices, including state subsidies, collide with the spirit and sometimes the law of open trade. The Obama administration must find common ground with Beijing on a coordinated response, or risk retaliatory protectionism that could severely damage both economies and escalate into political confrontation. A trade war is the last thing the United States needs, given that China holds $1 trillion of our debt and will be critical to solving flashpoints ranging from Iran to North Korea. In the 1930s, authoritarian great-power governments responded to the global downturn by adopting more nationalistic and aggressive policies. Today, the economic crisis may well fuel rising nationalism and regional assertiveness in emerging countries. Russia is a case in point. Although some predict that the economic crisis will temper Moscow's international ambitions, evidence for such geopolitical modesty is slim to date. Neither the collapse of its stock market nor the decline in oil prices has kept Russia from flexing its muscles from Ukraine to Kyrgyzstan. While some expect the economic crisis to challenge Putin's grip on power, there is no guarantee that Washington will find any successor regime less nationalistic and aggressive. Beyond generating great power antagonism, misguided protectionism could also exacerbate political upheaval in the developing world. As Director of National Intelligence Dennis Blair recently testified, the downturn has already aggravated political instability in a quarter of the world's nations. In many emerging countries, including important players like South Africa, Ukraine and Mexico, political stability rests on a precarious balance. Protectionist policies could well push developing economies and emerging market exporters over the edge. In Pakistan, a protracted economic crisis could precipitate the collapse of the regime and fragmentation of the state. No surprise, then, that President Obama is the first U.S. president to receive a daily economic intelligence briefing, distilling the security implications of the global crisis.

#### And, Unilateral FDI liberalization is key to prevent trade policy backsliding which dooms global economic recovery.

Erixon and Sally, directors-ECIPE, 10 (Fredrik and Razeen, European Centre for International Political Economy, TRADE, GLOBALISATION AND EMERGING PROTECTIONISM SINCE THE CRISIS, http://www.ecipe.org/media/publication\_pdfs/trade-globalisation-and-emerging-protectionism-since-the-crisis.pdf) **[italics are from original source]** We think Mr. Bentham’s world-view will cause damage, not only to domestic economies but also to the world trading system. This will not be a replay of the 1930s, but a replay of the 1970s is a serious prospect. The world is in danger of undoing the market reforms of the 1980s and ‘90s that brought unprecedented prosperity, especially to emerging markets outside the West. Like the 1970s, policy backsliding could prolong a severe downturn and compromise eventual recovery. The short-term challenge is to arrest the slide to Big Government at home and creeping protectionism abroad. The medium-term challenge is to get back on track with trade and FDI liberalisation combined with domestic structural reforms – substantial “unﬁnished business” left before the crisis struck. More, not less, markets and globalisation are what the world needs. That is primarily a matter for *unilateral* action by governments and *competitive emulation* among them. It can be reinforced by international policy cooperation in the WTO, G20 and other fora, but not too much can be expected of cumbersome global-governance mechanisms. Overall, limits to government intervention and a well-functioning market economy are of a piece with open markets, economic globalisation and international political stability.

#### Scenario 2- Economic Collapse:

#### Chinese FDI to the US declined sharply in 2012 but could rebound if the US takes steps to liberalize its national security FDI policy towards China.

Hanemann 12-28 (Theo, research director at the Rhodium Group and leads the firm’s cross-border investment work, Chinese FDI in the US in 2012, http://rhgroup.net/notes/chinese-direct-investmnet-in-the-u-s-in-2012-a-record-year-amid-a-gloomy-fdi-environment)

AGAINST THE GLOBAL TREND The recent growth of Chinese investment is even more remarkable in light of an otherwise bleak FDI picture in the United States. Before the global financial crisis, the United States was the world’s premier destination for foreign direct investment with annual inflows of $200-300 billion. When the crisis hit in 2009 FDI dropped by more than half. In 2010 and 2011 inflows have somewhat stabilized but declined again sharply in 2012 in light of the fragile situation in Europe (which the major source of FDI for the US) and uncertainties for the US growth outlook. Preliminary data from the Bureau of Economic Analysis shows that FDI dropped by more than 30% in the first three quarters of 2012, which indicates that the full year figure will come in at levels not seen since the crisis year 2009 (Figure 2). These trends suggest that China could follow other Asian economies in becoming an important source of FDI for the United States. China today accounts for less than 1% of total U.S. inward FDI stock, but it has become one of the few bright spots in an otherwise gloomy FDI environment. Compared to five years ago, FDI flows from European economies and Canada were down by more than 50% in the first three quarters of 2012. FDI from Asia was holding up better, and China is among the few countries that invested more in the United States than five years ago – an increase of more than 300% according to official statistics from the Bureau of Economic Analysis (Figure 3). These estimates are likely too low as the BEA Balance of Payments figures do not account for flows through offshore financial centers. Figures from Rhodium Group’s China Investment Monitor, which account for such flows, suggest that the increase was even more significant, by nearly 1,300% over five years. Growing investment from China increasingly brings benefits for local economies, for example in the form of employment. Today Chinese firms already employ 29,000 people in the United States, up from less than 10,000 just five years ago. THE RIGHT POLICY RESPONSE Developments in 2012 also underscored the political hurdles in the process of China becoming a major source of FDI for the US. Compared to other emerging FDI exporters in the past like Japan or Korea, China is not a military ally of the United States but sees itself balancing U.S. hegemony. This puts Chinese investors in the spotlight for a range of existing national security concerns related to foreign ownership, among them ownership of critical infrastructure, political and industrial espionage and ownership and proliferation of defense-relevant technologies. In addition to national security risks there are specific concerns about the economic impacts of Chinese investment due to the role of the government in China’s economy and existing asymmetries in market access between China and the United States. Unfortunately the past year was a step back for the political debate on these issues. 2012 saw little progress on substance but instead a lot of political games and populist rhetoric, for example a report by two members of the U.S. House Intelligence Committee that attacks Chinese telecommunications firms and dismisses mitigation options, or efforts by lawmakers and lobbyists to undermine a series of Chinese technology acquisitions, including Wanxiang’s purchase of A123 Systems and BGI Shenzhen’s bid for Complete Genomics. The negative headlines from such politicization are damaging the perception of the U.S. as an investment destination in China, despite U.S. openness and the hard work that is done by governors, mayors and other local officials to promote inward investment. Political games are also a distraction from advancing the debate on important questions such as the risks from Chinese investment in infrastructure or competitive neutrality of state-owned enterprises. If the United States wants to maximize benefits from China’s beginning outward FDI boom, policymakers need to stop beating the drums and instead focus on solutions that allow the US to maintain an open investment environment while addressing real concerns. Otherwise Chinese investors will carry their cash elsewhere, for the example Europe, where Chinese FDI has topped $10 billion for the second year in a row, almost double of what the United States received over the past two years (Figure 4). Europe’s greater attraction can mostly be explained by commercial opportunities including privatization programs and troubled industrial assets, but different national security sensitivities and the perception that Europe is more welcoming to Chinese investment than the United States did play a role too. It is too early to declare Europe the winner in the race for Chinese investment, but it is time for Washington to move past politics, emphasize openness and tackle structural reforms to ensure the United States remains a top destination for FDI from China and elsewhere.

#### And investment is low overall – more of it is critical to jobs and growth

Scissors and Payne 1/11/13 (Derek, Senior Research Fellow in Asia Economic Policy, and Dean Cheng is Research Fellow in Chinese Political and Security Affairs, \*Amy, research associate at the Heritage Foundation, “Morning Bell: Chinese Investment in the U.S. Shatters Records” <http://blog.heritage.org/2013/01/11/china-investment-in-the-us-2012/>)

China set a record with its investments around the world in 2012. And in the United States, China shattered its previous investment record. Before people start panicking, it’s important to know: This is not a bad thing. First, let’s put it in perspective. Chinese investment is still very, very small as compared to the size of the U.S. economy. At the national level, the stock of investment is barely $50 billion—which sounds large, but is negligible compared to a stock of American wealth of more than $60 trillion. No one’s “taking over” anything. In fact, more Chinese investment is a good thing. It creates jobs; it benefits companies, and it should be welcomed. It also gives us more leverage to push for a more open Chinese market, which continues to be a major problem. Globally, the U.S. can compete and win with China in terms of economic influence, but we have to be willing to play. We have to be willing to expand our trade and investment in both directions.

#### And, energy restrictions destroy investor confidence, which crushes the dollar and triggers economic recession- the vague CFIUS interpretation of national security chills ALL foreign investment.

Carroll-Emory International Law Review-09 (James, COMMENT: BACK TO THE FUTURE: REDEFINING THE FOREIGN INVESTMENT AND NATIONAL SECURITY ACT'S CONCEPTION OF NATIONAL SECURITY, 23 Emory Int'l L. Rev. 167)

B. National Security and Investor Uncertainty The uncertain interpretation of national security in Exon-Florio, combined with the broad sweep of terms like "energy assets" and "critical infrastructure" make the outcome of the CFIUS process nearly impossible to predict. 150 Continuing to construe the term national security broadly could have a chilling effect on all foreign investment within the United States, as it would send a [\*188] signal that the age of openness to foreign direct investment is coming to a close. 151 Broadly defining national security creates costly uncertainty for foreign investors, as even the most sophisticated legal counsel cannot predict which investments will avoid a politicized CFIUS review. 152 According to Alan Greenspan, regulatory uncertainty deters business investment. 153 Defenders of the current process may point out that presidential vetoes are rare, as there have been none issued since 1990, and some controversial transactions, such as the Alcatel Lucent merger, have recently been approved. 154 Although presidential vetoes of transactions remain relatively scarce, the broad sweep of potential investigations can deter foreign direct investment without the president ever formally vetoing a transaction, as was done in the past to CNOOC and Dubai Ports. 155 Even if the foreign enterprises do not touch upon defense technology, fear of an irrational regulatory regime may discourage deals on the margins. 156 As CFIUS reviews of foreign investment in critical infrastructure continue to be based upon mere political expediency, foreign countries may become wary of investing in the dollar if they see that Congress is willing to limit the amount of investment choices available to them. 157 While a wholesale dumping of American assets is unlikely, continual investigations of relatively innocuous foreign transactions like Unocal and Dubai Ports could lead foreigners to reconsider some of their investments. 158 [\*189] Losing foreign investment in the United States could push the dollar down against other currencies, such as the rising euro. 159 A decline in the dollar fueled by investor pullout could cause interest rates to soar, possibly even worsening the current recession. 160 In an era when the dollar is falling in relation to other currencies, and the trade deficit is continuing to widen, the United States cannot afford to discourage foreign investment. 161 Ironically, although foreign investment is one of the major factors maintaining economic growth, public backlash against such investment only deepens. 162 The housing crisis has exacerbated populist concern over the economy, 163 but while the housing crunch is ongoing, foreign investment is more vital than ever to provide liquidity to American markets. 164

#### And, economic decline causes great power war.

Royal 2010

Jedediah, Director of Cooperative Threat Reduction at the U.S. Department of Defense, “Economic Integration, Economic Signaling and the Problem of Economic Crises,” in Economics of War and Peace: Economic, Legal and Political Perspectives, ed. Goldsmith and Brauer, pg. 213-215

Less intuitive is how periods of economic decline may increase the likelihood of extern conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defense behavior of interdependent states. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level, Pollins (2008) advances Modelski and Thompson’s (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crisis could usher in a redistribution of relative power (see also Gilpin, 1981) that leads to uncertainty about power balances, increasing the risk of miscalculation (Fearon, 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner, 1999). Seperately, Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. Second, on a dyadic level, Copeland’s (1996, 2000) theory of trade expectations suggests that ‘future expectation of trade’ is a significant variable in understanding economic conditions and security behavious of states. He argues that interdependent states are likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations, However, if the expectations of future trade decline, particularly for difficult to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crisis could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states. Third, others have considered the link between economic decline and external armed conflict at a national level. Blomberg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write, The linkages between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict tends to spawn internal conflict, which in turn returns the favor. Moreover, the presence of a recession tends to amplify the extent to which international and external conflict self-reinforce each other. (Blomberg & Hess, 2002. P. 89) Economic decline has been linked with an increase in the likelihood of terrorism (Blomberg, Hess, & Weerapana, 2004), which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. ‘Diversionary theory’ suggests that, when facing unpopularity arising from economic decline, sitting governments have increase incentives to fabricate external military conflicts to create a ‘rally around the flag’ effect. Wang (1996), DeRouen (1995), and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that the tendency towards diversionary tactics are greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force. In summary, recent economic scholarship positively correlated economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict at systemic, dyadic and national levels. This implied connection between integration, crisis and armed conflict has not featured prominently in the economic-security debate and deserves more attention.

#### Investment is at anemic levels slowing down all macroeconomic indicators – absent the plans infusion of capital there will be a second depression

Papola 1/30/13 (John, Contributer at Forbes, “Think Consumption Is The 'Engine' Of Our Economy? Think Again.” <http://www.forbes.com/sites/beltway/2013/01/30/think-consumption-is-the-engine-of-our-economy-think-again/>)

Have you heard that the economy is like a car? It’s the most popular analogy in financial reporting and political discourse. The American people are repeatedly told by financial pundits and politicians that consumption is an “engine” that “drives” economic growth because it makes up 70% of GDP. One notable Nobel-winning economics pundit with a penchant for bizarre growth theories even recently noted that an economy can be “based on purchases of yachts, luxury cars, and the services of personal trainers and celebrity chefs.” Conversely, other economists including Nobel-winner Joseph Stiglitz claim that our economy is stuck in “first gear” due to inequality: too much income is concentrated among too few rich people who tend to save larger share of their income and thus have a lower “marginal propensity to consume”. The Keynesian message is clear: if you want to put the economic pedal to the metal, get out there and consume! Not so fast, Speed Racer. The systematic failure by Keynesian economists and pundits to distinguish between consuming and producing value is the single most damaging fallacy in popular economic thinking. This past Christmas, we produced a playful video called “Deck the Halls with Macro Follies” exploring the history of this popular myth. If the economy were a car, consumer preferences would surely be the steering wheel, but real savings and investment would be the engine that drives it forward. A History of Macro Follies The historical record on economic growth conflicts with this consumption doctrine. Economic growth (booms) and declines (bust) have always been led by changes in business and durable goods investment, while final consumer goods spending has been relatively stable through the business cycle. Booms and busts in financial markets, heavy industry and housing have always been leading indicators of recession and recovery. The dot-com boom and bust, the Great Depression and our current crisis all exhibit the pattern. For example, during our past two decades of booms and busts, investment collapsed first, bringing employment down with it. Consumption spending actually increased throughout the 2001 recession (financed, in part, by artificially easy credit) even as employment was falling along with investment. During our continuing crisis, consumption spending returned to its all-time high in 2011–yet investment to this day remains at decade lows, producing the worst recovery in growth and employment since the Great Depression. Labor force participation hasn’t been this low since the 1980s. But why? As John Stuart Mill put it two centuries ago, “the demand for commodities is not the demand for labor.” Consumer demand does not necessarily translate into increased employment. That’s because “consumers” don’t employ people. Businesses do. Since new hires are a risky and costly investment with unknown future returns, employers must rely on their expectations about the future and weigh those decision very carefully. As economic historian Robert Higgs’ pioneering work on the Great Depression suggests, increased uncertainty can depress job growth even in the face of booming consumption. As recent years have demonstrated, consumer demand that appears to be driven by temporary or unsustainable policies is unlikely to induce businesses to hire. The past several decades in America have been marked by a collapse of real savings encouraged by artificially easy credit from the Fed, along with explosive growth in government spending. All these combined to bring about a debt-fueled spending binge, with disastrous consequences. Increased investment drives economic growth, while retrenched investment leads to recession and reduced employment–and it always has. Those who blame our stagnation on a lack of consumer demand rely on a toxic brew of dubious data and dangerous theory. Before I Can Consume, I Must Produce for Others By definition, GDP is a summary of final sales for new goods and services and not of all economic activity. Raw materials, intermediate goods and labor costs, which comprise the bulk of business spending are not treated in GDP, but are rather rolled up in the final sale price of the “consumer” spending. Only capital equipment, net inventory changes and purchase of newly constructed homes constitute “investment” according to GDP. This framing of the data makes the “consumption drives the economy” a foregone conclusion. But this is circular reasoning. Where do these “consumers” get their money to spend? Before we can consume, we need to produce and earn a paycheck. And paychecks have to flow to productive — that is value-creating — behavior, or value is simply being transferred and destroyed. Our various demands as consumers are enabled by our supply as workers/producers for others. That’s the classical “Law of Markets”, often referred to as Say’s Law, in a nutshell. For employees, those paychecks are income, but for the employers, wages represent most business’ single largest expense. Yet GDP does not treat employee wages or materials as “investment spending” — even though any business owner regards salaries as the most important and largest investment that they make. Instead, employee wages appear in GDP data as consumption when income is spent on final goods like food, clothing, gadgets, and vacations. Moreover, since GDP is an accounting summary, it adds consumption and investment spending together. But this summarizing masks the fact that these two activities are actually in opposition in the short run. In order to invest more today, we have to save more and consume less. As a result, GDP in-and-of-itself reveals nothing about what grows an economy; at best, it demonstrates how large the economy is and whether it’s growing or shrinking. Digging below the surface of GDP reveals a structure of value-adding production far more complex than the simplistic analysis given by most media reports. According to government data, more than 70% of Americans earn their incomes from employment in domestic business. Yet the retail sector of our economy, for example, only contributed 6% of GDP. Bureau of Labor Statistics (BLS) data on employment show that only about 11% of employed Americans work in “sales and related occupations”. That leaves a great deal of economic activity and employment to the “business to business” sector, which composes most of the real economy. Most of the value-adding activities occurred between a vast structure of businesses and workers starting with raw materials and blueprints and coming together over months (sometimes years when R&D is included) before a final sale can be made. At each stage, the activity is funded not by current “consumer spending” but through a combination of new investment and savings such as each company’s reinvested earnings. The farther from a final good a business’s output is, the more it relies on credit markets and the more it is subject to distortions on the savings and investment side. And since employment is spread across this time structure with relatively few working in final retail stage, savings and investment changes have dramatic impacts on employment. Organic Growth My wife Lisa and I have personal experience with dynamics that the top-down Keynesian view ignores. Several years ago we launched a side-business designing, manufacturing and selling reusable all-in-one cloth diapers to moms interested in saving money and cutting down on trash. We called them “weehuggers”. To start the business, we got a small capital contribution from my brother-in-law in exchange for equity in the company. These savings were put to use buying the raw materials, designing the diaper prints, hiring sets of skilled people both to sew the diapers and to build the website. Designing, testing and producing the product and website took over a year. Almost none of that activity was included in GDP for that year, except through the “consumer spending” of people we paid. Throughout this stage, no “product” existed for others to demand or for us to sell and generate income. The time Lisa and I spent building the company was also a very real form of investment itself. This so-called “sweat equity” is just as much of an investment as a financial contribution. When we finally began selling our product to customers, the income generated was barely enough to cover the real costs. We re-invested all of it into new inventory for the business, keeping nothing for ourselves in the hopes of improving our approach. Consumption didn’t create our output. Investment did. After an additional year of persistent re-investment, we realized that we would need even more investment to make the business viable. Our costs were too high per diaper and our local production capacity was too low to keep up with demand. Moms loved weehuggers and we struggled to keep the product in stock. Yet we felt the competition didn’t permit us to raise our prices. The only way to make the business grow would have been to secure enough capital to invest in a major manufacturing facility with higher productivity equipment and division of labor. We chose instead to focus on a business where both of us, as former MTV Networks creatives, believed we could add more value: our new media company Emergent Order. Our recent video“Macro Follies” is just one of the fruits of that decision. We followed our passion, but we were also guided through market prices and profits toward the best way for us to create value for others. Don’t Put the Shopping Cart Before the Horse There is a fundamental illogic to the notion that an economy can be grown by encouraging consumption. When a person consumes, by definition, they use things up. The very process leaves us with less than before. Growing the availability of valuable goods and services for society by using them up is not just an impossibility—it’s an absurdity. Consumption is the goal, but it is production that is the means. For most of human history, ordinary people had to spend their lives growing food. Today, we have many billions more people on the planet. And yet food is cheaper, better and of greater variety than ever before. Still, almost nobody works in agriculture. We didn’t create this wealthy, amazing world… by eating. We did it by saving our seed corn, investing and ultimately inventing our way out of farming jobs. Thank heavens we did. There are important lessons for public policy that come from these classical insights. Any program which accelerates the consumption of value, or worse, the destruction of value, ultimately make our society poorer. Despite what Keynes and his modern followers claim, Wars, natural disasters, terrorist attacks, faked alien invasions, or programs that encourage us to destroy our used cars — all make us poorer. These schemes reduce the amount of valuable goods and services available for society. Some may consider unemployment benefits to be a necessary policy on humanitarian grounds, but they by no means “stimulate” the economy. The recipient, after all, is consuming without producing any value for others. Disincentives for people to be productive, which have exploded in recent years, not only reduce employment, but reduce output and growth as well. This last point used to be widely believed by economists–including the immensely popular and polarizing economist, Paul Krugman, whose own 2009 textbook blamed extended unemployment benefits as one of the main reasons for decades of European stagnation and high “structural” unemployment. Now, I fear that a decade of Keynesian macro follies may have brought Eurosclerosis to America. Savings and investment which enable increased productivity, greater specialization and trade are the true engines of economic growth. Increasing consumption is a result of that growth, never the cause of it. If we want sound and sustainable economic growth, each of us has to discover the most valuable ways to serve others and contribute to the supply of wealth before we can take from it. Much like everyone else, even Santa Claus must produce all year long before people get to enjoy their presents.

#### And, the plan is a quick injection of capital which is critical to economic recovery.

Xu et al 12 (Ting, China and Economy consultant for Bertelsmann Stiftung, with Thieß Petersen and Tianlong Wang, Cash in Hand: Chinese Foreign Direct Investment in the U.S. and Germany, June,

http://www.bfna.org/sites/default/files/publications/Cash%20in%20Hand%20Second%20Edition%20final.pdf)

Although Chinese FDI has drawn increasing attention in the U.S. and Germany, China still holds less than 0.2 percent of the FDI stocks in both Germany and the U.S. This fact does not match up to the status of the three countries’ leading roles in the global economy. As China continues its economic development and its per-capita income grows, it will enter a new stage of foreign direct investment where its FDI in the U.S. and the EU will continue to experience strong growth. There will be profound implications to the trend, particularly given the current stage of global financial recovery. While the banking sector institutions continue to deleverage as a result of the financial crisis, unleashing investment potential from China can potentially play a much bigger role in bringing those countries that are facing a credit crunch back to growth.

### Iran Adv- Harv-3:51

#### Removing restrictions on investment in US oil and gas production is the best way to get China to increase their support for Iran sanctions- that’s critical to effective international pressure.

Downs, China fellow at Brookings, 12 (Erica S. Downs is a fellow at the John L. Thorton China Center at The Brookings Institution, “Getting China to Turn on Iran,” July 19, http://nationalinterest.org/commentary/getting-china-turn-iran-7215)

Over the past decade, as the United States employed increasingly robust sanctions to gradually ratchet up the pressure on Iran to curb its nuclear ambitions, Washington has struggled with the question of how to elicit more cooperation from China, a major buyer of Iranian crude oil and no fan of sanctions, especially unilateral ones. On June 28, the Obama administration granted China an exemption from U.S. sanctions on the Central Bank of Iran (CBI) for significantly reducing its crude-oil purchases from the Islamic Republic. This suggests that one of the biggest carrots Washington can offer to China in exchange for greater support for the U.S. sanctions regimen is expanded opportunities for China’s national oil companies (NOCs) to invest in oil and natural-gas exploration and production in the United States. The greater the stakes that China’s NOCs have in the United States, the thinking goes, the greater the chance they will think twice about doing business in Iran.

The Chinese government responded to the new U.S. sanctions signed into law by President Obama on December 31, 2011, by saying Washington should not expect any cooperation from Beijing. Over the past six months, officials from China’s foreign ministry have repeatedly stated that China’s energy trade with—and investment in—Iran do not violate the various United Nations Security Council resolutions on Iran and that the new U.S. sanctions would not affect China-Iran energy relations. Despite Beijing’s implication that China would continue to import oil from Iran at 2011 levels (more than 550,000 barrels a day), the main Chinese buyer of Iranian crude oil, Sinopec, responded to the new U.S. sanctions by dramatically cutting its purchases from Iran by 25 percent in the first five months of 2012. At the end of every year, Chinese oil traders negotiate their supply contracts with National Iranian Oil Company (NIOC) for the following year. The commencement of their negotiations in late 2011 coincided with growing support in Washington, especially on Capitol Hill, for ratcheting up the pressure on Iran by subjecting foreign firms that do business with the CBI—the primary clearinghouse for Iranian oil transactions—to U.S. financial sanctions. When China’s oil traders sat down at the negotiating table with their Iranian counterparts, Iran’s increasing international isolation was palpable. Sinopec pushed for lower prices and a longer credit period, while NIOC insisted on higher prices and a shorter credit period. The two companies did not sign a new contract until late March 2012 (with Sinopec reportedly extracting some concessions, which have not been disclosed publicly), causing the plunge in China’s crude oil imports from Iran. Moreover, Sinopec recently revealed that it turned down offers to buy additional volumes of Iranian crude at discounted prices. After President Obama signed the new sanctions into law, there was some concern in Washington that the Chinese would undermine his tough policy by purchasing at a discount all of the crude that would otherwise have gone to European and Asian buyers in the absence of sanctions. Sinopec, however, had compelling reasons to decline the opportunity to increase its purchases from Iran; the company does not want to jeopardize its chance to expand in the United States, where it already has signed a deal to invest more than $2 billion in shale assets owned by Devon Energy and is looking to buy assets from Chesapeake Energy. The chair~~man~~ of Sinopec, Fu Chengyu, is acutely aware of how getting on the wrong side of politics in Washington can scuttle a deal; he was the chairman of China National Offshore Oil Corporation (CNOOC) when that company made its ill-fated bid for the U.S. oil company Unocal in 2005. Sinopec is not the only Chinese oil company with an incentive to choose the U.S. market over the Iranian one. Its domestic peers, CNOOC and China National Petroleum Corporation (CNPC), also find the United States to be an attractive investment destination. First, all three companies are eager to gain shale-gas technology and operational expertise through partnerships with U.S. firms. On paper, China has considerable shale-gas resources. The U.S. Energy Information Administration estimates that China’s technically recoverable shale-gas resources are 50 percent greater than those of the United States. But China’s NOCs lack the technology and operational expertise to develop them. Second, they want to expand reserves and production, and an increasing number of opportunities to do so are now in the United States, thanks to the boom in America’s unconventional oil and natural-gas production. Finally, the turmoil in Middle East and North Africa over the past two years has prompted China’s NOCs to seek less risky operating environments. Indeed, Sinopec’s domestic peers also are gravitating toward the United States and away from Iran. CNOOC, which has signed contracts committing it to invest $3.4 billion in Chesapeake Energy’s shale-gas assets in the United States, had a $15 billion contract suspended by the Iranians for lack of progress. China National Petroleum Corporation, which similarly had a $4.7 billion contract frozen by the Iranians for its failure to start work, also is looking for opportunities to partner with U.S. companies in shale-gas projects. Moreover, China’s NOCs have not “backfilled” any projects abandoned by European and Japanese oil companies after their home governments implemented tighter unilateral sanctions in 2010. It isn’t just China’s NOCs that seem to be backing away from Iran in a bid for access to the U.S. market. Consider the announcement made last year by the Chinese telecommunications firm Huawei Technologies that it was planning to scale back its operations in Iran. Although these operations complied with U.S. and European Union laws, there was at least a partial motivation to keep open prospects for doing business in the United States and Europe. The ability of the United States to secure additional Chinese cooperation may depend in part on the scale of the investments made by China’s NOCs in the United States. The more money these companies pump into the American market, the more likely they are to refrain from doing deals with Iran that might jeopardize those business prospects. Consequently, creating a more welcoming environment for Chinese investments just might have a geopolitical payoff in the form of greater Chinese compliance with Iran sanctions. Moreover, letting China’s NOCs take the lead in complying with—or at least not undercutting—U.S. sanctions on Iran is politically palatable to Beijing. Chinese officials can maintain their public opposition to U.S. sanctions while avoiding increased tensions with Washington over the Iranian nuclear issue. This dual stance is attributable to the business decisions made by China’s NOCs.

#### Allowing Chinese majority shares of US oil and gas production is critical garnering Chinese compliance on Iran. Only the signal of the plan solves Iran nuclearization.

Downs, Brookings China Fellow, October ‘12 (Erica, CHINA, IRAN AND THE NEXEN DEAL, OPTIONS POLITIQUES, http://www.irpp.org/po/archive/oct12/downs.pdf)

Meanwhile the expansion of the Chinese NOC footprint in the United States has coincided with the shrinking of their presence in Iran. CNOOC has pulled out of a $16-billion project to develop Iran’s North Pars natural gas ﬁ eld. The Iranians have frozen a $4.7-billion contract held by China National Petroleum Corporation (CNPC) for the development of Phase 11 of the South Pars natural gas ﬁ eld because of CNPC’s failure to start work. Sinopec is behind schedule in developing the Yadavaran oil ﬁ eld. Nor have China’s NOCs “backﬁlled” projects abandoned by European and Japanese oil companies after their home governments implemented tighter unilateral sanctions against Iran in 2010 and the Obama administration indicated that taking over such projects was a red line not to be crossed. It would be more than diplomatically awkward for Washington to lean on China over its projects in Iran and then block its attempts to compensate for the loss of those opportunities by investing in North America. While the Chinese oil majors’ waning enthusiasm for Iran is partially due to the country’s difﬁcult operating and investment climate, it almost certainly reﬂects their ambitions to expand here. One way for Washington — and Ottawa — to spur China’s NOCs to continue their retreat from Iran is to continue to welcome them into North America, not only as passive investors but also as owners. Rolling out the red carpet for China’s NOCs would not only generate much-needed capital for the development of North American oil and natural gas resources, but it may also pay the geopolitical dividend of increased Chinese compliance on the issue of Iran. The road to curbing Iran’s nuclear program may run through the headquarters of CNOOC, CNPC and Sinopec.

#### Iranian nuclearization makes nuclear war inevitable in the Middle East- even small conflicts could escalate to all out war.

Kahl, Senior Fellow, the Center for a New American Security, 12 (Colin, former Deputy Assistant Secretary of Defense for the Middle East and Senior Fellow, the Center for a New American Security, Iran and the Bomb, Foreign Affairs; Sep/Oct2012, Vol. 91 Issue 5, p157-162)

Waltz writes that "policymakers and citizens in the Arab world, Europe, Israel, and the United States should take comfort from the fact that history has shown that where nuclear capabilities emerge, so, too, does stability." In fact, the historical record suggests that competition between a nuclear-armed Iran and its principal adversaries would likely follow the pattern known as "the stability-instability paradox," in which the supposed stability created by mutually assured destruction generates greater instability by making provocations, disputes, and conflict below the nuclear threshold seem safe. During the Cold War, for example, nuclear deterrence prevented large-scale conventional or nuclear war between the United States and the Soviet Union. At the same time, however, the superpowers experienced several direct crises and faced off in a series of bloody proxy wars in Korea, Vietnam, Afghanistan, Angola, Nicaragua, El Salvador, and elsewhere. A recent statistical analysis by the political scientist Michael Horowitz demonstrated that inexperienced nuclear powers tend to be more crisis-prone than other types of states, and research by another political scientist, Robert Rauchhaus, has found that nuclear states are more likely to engage in low-level militarized disputes with one another, even if they are less likely to engage in full-scale war. If deterrence operates the way Waltz expects it to, a nuclear-armed Iran might reduce the risk of a major conventional war among Middle Eastern states. But history suggests that Tehran's development of nuclear weapons would encourage Iranian adventurism, leading to more frequent and intense crises in the Middle East. Such crises would entail some inherent risk of a nuclear exchange resulting from a miscalculation, an accident, or an unauthorized use -- a risk that currently does not exist at all. The threat would be particularly high in the initial period after Iran joined the nuclear club. Once the superpowers reached rough nuclear parity during the Cold War, for example, the number of direct crises decreased, and the associated risks of nuclear escalation abated. But during the early years of the Cold War, the superpowers were involved in several crises, and on at least one occasion -- the 1962 Cuban missile crisis -- they came perilously close to nuclear war. Similarly, a stable deterrent relationship between Iran, on the one hand, and the United States and Israel, on the other, would likely emerge over time, but the initial crisis-prone years would be hair-raising. Although all sides would have a profound interest in not allowing events to spiral out of control, the residual risk of inadvertent escalation stemming from decades of distrust and hostility, the absence of direct lines of communication, and organizational mistakes would be nontrivial -- and the consequences of even a low-probability outcome could be devastating.

#### Iranian nuclearization causes regional and global arms racing.

Cirincione 06 (Joseph, Sr. Assoc. & Director @ the Non-Proliferation Project @ the Carnegie Endowment for International Peace, Summer, SAIS Review, “A New Non-Proliferation Strategy”)

The danger posed by the acquisition of nuclear weapons by Iran or North Korea is not that either country would be liable to use these weapons to attack the United States, the nations of Europe, or other countries. Iran, for example, would likely decide to build nuclear weapons only as a means to defend itself from the aggression of other nations. Iranian leaders, like the leaders of other states, would be deterred from using nuclear weapons in a first strike by the certainty of swift and massive retaliation. The danger is that certain actions may be viewed by Iran as a defensive move, however they would trigger dangerous reactions from other states in the region. A nuclear reaction chain could ripple through a region and across the globe, triggering weapon decisions in several, perhaps many, other states. Such developments could weaken Iran's security, not increase it. With these rapid developments and the collapse of existing norms could come increased regional tensions, possibly leading to regional wars and to nuclear catastrophe.3 Existing regional nuclear tensions already pose serious risks. The decades-long conflict between India and Pakistan has made South Asia the region most likely to witness the first use of nuclear weapons since World War II. An active missile race is under way between the two nations, even as India and China continue their rivalry. In Northeast Asia, North Korea's nuclear capabilities remain shrouded in uncertainty but presumably continue to advance. Miscalculation or misunderstanding could bring nuclear war to the Korean peninsula. In the Middle East, Iran's declared peaceful nuclear energy program, together with Israel's nuclear arsenal and the chemical weapons of other Middle Eastern states, adds grave volatility to an already conflict-prone region. If Iran were to decide at some later date to build nuclear weapons, Egypt, Saudi Arabia, or others might initiate or revive nuclear weapon programs. It is entirely possible that the Middle East could go from a region with one nuclear weapon state, to one with two, three, or five such states within a decade-compounded by the existing political and territorial disputes still unresolved.4

#### This risks global nuclear conflict- new prolif risks theft, unauthorized use, terrorism, and crisis escalation.

Busch, Professor of Government-Christopher Newport, 04 (Nathan, “No End in Sight: The Continuing Menace of Nuclear Proliferation” p 281-314)

Summing Up: Will the Further Spread of Nuclear Weapons Be Better or Worse? This study has revealed numerous reasons to be skeptical that the spread of nuclear weapons would increase international stability by helping prevent conventional and nuclear wars. Because there is reason to suspect that emerging NWSs will not handle their nuclear weapons and fissile materials any better than current NWSs have, we should conclude that the further spread of nuclear weapons will tend to undermine international stability in a number of ways. First, because emerging NWSs will probably rely on inadequate command-and-control systems, the risks of accidental and unauthorized use will tend to be fairly high. Second, because emerging NWSs will tend to adopt systems that allow for rapid response, the risks of inadvertent war will also be high, especially during crisis situations. Third, because emerging NWSs will tend to adopt MPC&A systems that are vulnerable to overt attacks and insider thefts, the further spread of nuclear weapons could lead to rapid, destabilizing proliferation and increased opportunities for nuclear terrorism. Finally, there is reason to question whether nuclear weapons will in fact increase stability. Although nuclear weapons can cause states to be cautious about undertaking actions that can be interpreted as aggressive and can prevent states from attacking one another, this may not always be the case. While the presence of nuclear weapons did appear to help constrain U.S. and Soviet actions during the Cold War, this has generally not held true in South Asia. Many analysts conclude that Pakistan invaded Indian-controlled Kargil in 1999, at least in part, because it was confident that its nuclear weapons would deter a large-scale Indian retaliation. The Kargil war was thus in part caused by the presence of nuclear weapons in South Asia. Thus, the optimist argument that nuclear weapons will help prevent conventional war has not always held true. Moreover, this weakness in the optimist argument should also cause us to question the second part of their argument, that nuclear weapons help prevent nuclear war as well. Conventional wars between nuclear powers can run serious risks of escalating to nuclear war."5 Based on a careful examination of nuclear programs in the United States, Russia, China, India, and Pakistan, as well as preliminary studies of the programs in Iraq, North Korea, and Iran, this book concludes that the optimists' arguments about the actions that emerging NWSs will probably take are overly optimistic. While it is impossible to prove that further nuclear proliferation will necessarily precipitate nuclear disasters, the potential consequences are too severe to advocate nuclear weapons proliferation in hopes that the stability predicted by the optimists will indeed occur.

#### Sanctions work- evidence suggests they will bring Iran back to the negotiating table.

Kahl 12 (Colin, Senior Fellow at the Center for a New American Security, Not Time to Attack Iran, Foreign Affairs, 00157120, Mar/Apr2012, Vol. 91, Issue 2)

 In making the case for preventive war as the least bad option, Kroenig dismisses any prospect of finding a diplomatic solution to the U.S.-Iranian standoff. He concludes that the Obama administration's dual-track policy of engagement and pressure has failed to arrest Iran's march toward a bomb, leaving Washington with no other choice but to bomb Iran. But this ignores the severe economic strain, isolation, and technical challenges that Iran is experiencing. After years of dismissing the economic effects of sanctions, senior Iranian officials now publicly complain about the intense pain the sanctions are producing. And facing the prospect of U.S. sanctions against Iran's central bank and European actions to halt Iranian oil imports, Tehran signaled in early January some willingness to return to the negotiating table. Washington must test this willingness and, in so doing, provide Iran with a clear strategic choice: address the concerns of the international community regarding its nuclear program and see its isolation lifted or stay on its current path and face substantially higher costs. In framing this choice, Washington must be able to assert that like-minded states are prepared to implement oil-related sanctions, and the Obama administration should continue to emphasize that all options, including military action, remain on the table.

### China Gas- SCS, H20, pollution-4:30

#### Contention \_\_ is Chinese Gas:

#### China is limiting itself to “hands off” oil and gas deals – these small partnerships don’t secure technical expertise to develop Chinese shale – this puts them decades behind gas targets

Mandel 7-17 (Jenny, Reporter for EnergyWire, a daily publication covering the unconventional oil and gas sectors, Previous positions with E&E include editing Land Letter and writing news and feature stories for Greenwire, ClimateWire, and other news outlets, “Will U.S. shale technology make the leap across the Pacific?,” EnergyWire: Tuesday, July 17, 2012, http://www.eenews.net/public/energywire/2012/07/17/1)

Modes of tech transfer Despite the challenges, the allure of a massive new domestic energy source has the Chinese government and private and state-owned companies moving cautiously toward development. Today, virtually all of the key intellectual property behind shale gas extraction lies with North American companies, and one of the first steps the Chinese have taken is to pour money into U.S. and Canadian ventures where those technologies are in use. In 2010 and 2011, China National Offshore Oil Corp. (CNOOC) paid $2.3 billion for partial stakes in plays by Chesapeake Energy Corp. in Texas, Wyoming and Colorado. Earlier this year, Sinopec bought into Oklahoma City-based Devon Energy Corp.'s holdings across Louisiana, Mississippi, Colorado, Ohio and Michigan in a $2.5 billion deal. Chinese companies have also aggressively pursued investment deals in Canadian shale projects. But Johns Hopkins' Kong said attempts by Chinese companies to negotiate North American on-the-job training have been blocked. The deal with Chesapeake, for example, limited the interaction of CNOOC personnel with sensitive technologies by restricting the company's right to send workers into gas fields, Kong said. "The Chinese companies have agreed deliberately not to send their oil workers to American gas fields and not to participate in boardroom decisions," Kong said. "The Chinese companies have agreed to this long-term, slow, gradual approach to gaining know-how in the North American energy sector." The caution stems mostly from a political firestorm that broke out when, in 2005, CNOOC tried to buy Unocal Corp. in an $18.5 billion deal that was eventually withdrawn in the face of opposition from Congress. Since then, there has been a general awareness among Chinese players of the need to move slowly and avoid raising red flags (E&ENews PM, Aug. 2, 2005). So what do Chinese investors gain from these North American investments, then, if not direct access to fracking technologies? "By investing in the U.S. ... they benefit from the spill-over effect," Kong said. They have some personnel involved with the projects, even if they're not learning the nitty-gritty of how to develop a fracking plan, and may be able to pick up some very high-level management expertise that is relevant at home. Home or away? Jane Nakano, a fellow with the Center for Strategic and International Studies' Energy and National Security program, stressed that investing in U.S. projects is not China's most effective means of technology transfer, especially given companies' failure to crack the personnel firewall. "If it's just a matter of getting profits from what comes out of each well or each project, then the amount of money they're pouring into North America does not make economic sense," she said. Rather, Nakano said Chinese gas interests would be best served by opening the domestic market to foreigners. "The most straightforward way would be for them to involve Western or non-Chinese technology holders more proactively" at home, she said. There has been limited involvement by major non-Chinese companies. In 2007, Houston-based Newfield Exploration Co. did a resource study with PetroChina. Royal Dutch Shell PLC has worked with PetroChina under a broader partnership agreement. And Exxon Mobil Corp. has had limited dealings with Sinopec. The first round of bidding on government shale gas leases, which occurred last summer, was open only to state-owned companies, and the final bids awarded parcels to just two large firms. There is speculation that the second round, which could come as early as this month, will expand participation to privately owned companies or even foreign bidders. There are other configurations that could also serve to carry the needed intellectual property into Chinese gas fields. In addition to joint ventures in North America or China with the supermajors, firms could hire foreign service companies to carry out work in China, observing their approach. Chinese companies or government interests could buy up some of the cash-strapped U.S. gas companies that are struggling to stay afloat until U.S. prices rise again and bring their expertise back to the Far East. They could buy U.S. shale resources -- even small ones like those held by individual property owners -- outright, then dictate the terms of development so as to ensure full access to the technologies used. Outside of industry, government-to-government interactions tout cooperation on shale gas, among other forms of energy that could help both U.S. and Chinese carbon emissions reduction efforts. And Chinese scientists work to develop home-grown strategies for shale gas production modeled on what has worked elsewhere. The University of Alberta's Jiang said Chinese shale interests, including both government and industry players, are undecided on how to move forward and how much to focus on domestic development versus lower-cost production overseas. "I don't think they have reached a conclusion one way or the other," he said. As a result, the country pursues "a two legs walking approach -- on the one side they want to explore domestic possibilities, on the other they want to explore possibilities with lower ... prices" elsewhere. That likely means a timeline of a decade, at a minimum, before Chinese shale gas resources are well-understood and a clear path to their development emerges, and potentially as long as two decades, observers say. In the meantime, the Chinese will continue to pursue contracts for natural gas imports to satisfy the strong and growing demand.

#### US gas companies currently negotiate passive deals for China because of CFIUS restrictions.

Knowledge @ Wharton 12 (China's Underground Race for Shale Gas, aug 21, http://knowledge.wharton.upenn.edu/arabic/article.cfm?articleid=2851)

Meanwhile, in the U.S., shale gas leaders, such as Devon Energy and Chesapeake Energy, have been reluctant to impart their technology know-how to the firms' Chinese investors, Sinopec and the China National Offshore Oil Corporation (CNOOC), respectively, notes Bo Kong, assistant research professor at the Johns Hopkins University School for Advanced International Studies (SAIS) in Washington, D.C. The Chinese and U.S. companies designed deals giving the Chinese passive, minority stakes to avoid disapproval by the Committee on Foreign Investment in the U.S. (CFIUS), which axed CNOOC's 2005 bid for Unocal. Also, the Sinopec-Devon and CNOOC-Chesapeake deals were struck at a time when the U.S. shale gas industry was at its peak. Today, with gas prices declining and companies such as Chesapeake struggling financially, Chinese companies may be able to negotiate better terms, says CATF's Sung.

#### Only the US has the expertise necessary for China to develop its shale resources- increased Chinese access to US drilling techniques and regulatory methods is critical.

Forbes, manager- Shale Gas Initiative at the World Resources Institute, 12 (Sarah, also the Senior Associate for the Climate and Energy Program at the World Resources Institute, HEARING BEFORE THE U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION: “CHINA’S GLOBAL QUEST FOR RESOURCES AND IMPLICATIONS FOR THE UNITED STATES; CHINA’S PROSPECTS FOR SHALE GAS AND IMPLICATIONS FOR THE U.S.,” January 26, http://pdf.wri.org/testimony/forbes\_testimony\_china\_shale\_gas\_2012-01-26.pdf)

Are there risks as well as opportunities for U.S. companies? From a global perspective, the oil and gas industry is integrated; companies work together on projects all over the world, owning shares in projects and hiring service providers as required for operations. Because of the variation in geology, most of what is needed to develop any oil or gas play is local “know-how,” not technology that is subject to patents. These unique features of the globalized industry result in less dependency on intellectual property protection and the risks of sharing technologies abroad as compared with other industries. For example, while the basic drilling and fracturing technologies needed for shale gas development are relatively uniform, the extraction methodologies depend most heavily on the site-specific geological features of the shale play being developed. Horizontal drilling first occurred in the United States in 1929 and fracing has been performed since 1949 39 . Geological factors that are unique to each well site (e.g., natural gas content, natural fractures of the rock, fracturing ability of the source rock) impact the staging of the fractures, the pressure of the hydraulic fracturing, and the fracturing fluid mixture. It is the experience gained from working many drill sites, in different basins and plays, which is the driving force behind U.S. shale gas development. Chinese companies currently possess the ability to drill wells horizontally and have some experience with fracing 40 , but operators and service providers in the United States currently have a clear global advantage based on the substantial experience with drilling and fracing shales to produce gas and the know-how to use these techniques effectively to maximize output 41 . This being said, the oil industry in China is a very domestic business (especially onshore) and has historically provided international companies with very limited access to onshore resources. Any international involvement typically comes from the creation of partnerships between Chinese companies and foreign companies, which is already happening with shale plays in China, as demonstrated by the PetroChina-Shell and CNOOC-BP JVs. A key question is whether the future shale gas industry in China will be modeled after the offshore oil industry (which includes more JVs) or the onshore oil and gas industry. Future cooperation between governments and businesses should not be limited to financial investments or knowledge sharing on operational practices. Although the United States currently stands as the only country with domestic experience in large-scale shale gas development, the experiences have not been all positive. U.S. regulatory structures, information flow, and enforcement capacities have generally not kept pace with the speed of development in shale formations. Stakeholders affected by U.S. shale gas development have not reached agreement on the risks associated with fracing, although experts agree that practices and regulations should be improved in order for the United States to develop its shale gas resources in an environmentally and socially responsible manner 42 . The growing understanding within state governments of both the level of environmental risks and how to manage them are valuable experiences for Chinese regulators and industrial entities to be aware of and take into account while pursuing and designing Chinese domestic development.

#### Chinese shale development key to displace their coal use—renewables cant be scaled up fast enough.

Hanger 12 (John, Special Counsel at the law firm Eckert Seamans, and former Secretary of the Pennsylvania Department of Environmental Protection and Commissioner of the Pennsylvania Public Utility Commission, “China Gets Cracking on Fracking: The Best Environmental News Of The Year?,” Aug 14, http://johnhanger.blogspot.com/2012/08/china-gets-cracking-on-fracking-good.html)

China sits on natural gas reserves that are estimated to be 50% higher than the massive gas reserves in the USA. http://news.nationalgeographic.com/news/energy/2012/08/120808-china-shale-gas/. Despite this gargantuan gas resource, coal provides China 80% of its electricity, compared to 34% in the USA, as of May 2012. Why the difference? The shale gas boom that is now more than 10 years long in the USA is just getting started in China and so the Chinese remain heavily reliant on coal to make electricity and for their total energy. Around the world, the basic energy choice is coal or gas. China is just the biggest example of this fundamental fact. China's reliance on coal means that its economic growth brings skyrocketing carbon emissions and other air pollution. Indeed, Chinese air quality is infamous around the world, and smog has been so thick that Beijing airport has been unable to land planes for short periods. As of 2011, China was responsible for 29% of the world's carbon emissions, while the US produced 16%, even though the US economy is still considerably bigger than China's. Moreover, US carbon emissions are declining to 1992 levels, but China's emissions skyrocket. Though China is building substantial new wind, solar, and nuclear generation, those investments are not enough to cut Chinese coal consumption, given economic growth that is still 7% in what some describe as an economic slowdown. Shale gas, however, could be big enough to actually displace significant amounts of coal in China. More gas in China means less mercury, soot. lead, smog, and carbon emissions. China's energy plans call for shale gas to provide 6% of its total energy as soon as 2020. If it achieves that goal, China will avoid more than 500 million tons of carbon pollution per year or about 1.5% of today's total carbon emissions.

#### Increasing demand for Chinese coal production causes water shortages which threaten economic collapse and political instability.

Schneider 11 (Keith, senior editor for Circle of Blue-a nonprofit focusing on resource shortages founded in 2000, Choke Point: China—Confronting Water Scarcity and Energy Demand in the World’s Largest Country, Feb 15, http://www.circleofblue.org/waternews/2011/world/choke-point-china%E2%80%94confronting-water-scarcity-and-energy-demand-in-the-world%E2%80%99s-largest-country/)

By any measure, conventional and otherwise, China’s tireless advance to international economic prominence has been nothing less than astonishing. Over the last decade alone, 70 million new jobs emerged from an economy that this year, according to the World Bank and other authorities, generated the world’s largest markets for cars, steel, cement, glass, housing, energy, power plants, wind turbines, solar panels, highways, high-speed rail systems, airports, and other basic supplies and civic equipment to support a modern economy. Yet, like a tectonic fault line, underlying China’s new standing in the world is an increasingly fierce competition between energy and water that threatens to upend China’s progress. Simply put, according to Chinese authorities and government reports, China’s demand for energy, particularly for coal, is outpacing its freshwater supply. Students of Chinese history and geography, of course, understand that tight supplies of fresh water are nothing new in a nation where 80 percent of the rainfall and snowmelt occurs in the south, while just 20 percent of the moisture occurs in the mostly desert regions of the north and west. What’s new is that China’s surging economic growth is prompting the expanding industrial sector, which consumes 70 percent of the nation’s energy, to call on the government to tap new energy supplies, particularly the enormous reserves of coal in the dry north. The problem, say government officials, is that there is not enough water to mine, process, and consume those reserves, and still develop the modern cities and manufacturing centers that China envisions for the region. “Water shortage is the most important challenge to China right now, the biggest problem for future growth,” said Wang Yahua, deputy director of the Center for China Study at Tsinghua University in Beijing. “It’s a puzzle that the country has to solve.” The consequences of diminishing water reserves and rising energy demand have been a special focus of Circle of Blue’s attention for more than a year. In 2010, in our Choke Point: U.S. series, Circle of Blue found that rising energy demand and diminishing freshwater reserves are two trends moving in opposing direction across America. Moreover, the speed and force of the confrontation is occurring in the places where growth is highest and water resources are under the most stress—California, the Southwest, the Rocky Mountain West, and the Southeast. Modernization vs. Water Resources In December, we expanded our reporting to China. Circle of Blue—in collaboration with the China Environment Forum (CEF) at the Washington-based Woodrow Wilson International Center for Scholars—dispatched four teams of researchers and photographers to 10 Chinese provinces. Their assignment: to report on how the world’s largest nation and second-largest economy is achieving its swift modernization, despite scarce and declining reserves of clean fresh water. In essence, Circle of Blue and CEF completed a national tour of the extensive water circulatory system and vast energy production musculature that makes China go. The result of our reporting is Choke Point: China. In a dozen chapters—starting today and posted weekly online through April—Choke Point: China will report in text, photographs, and interactive graphics the powerful evidence of a potentially ruinous confrontation between growth, water, and fuel that is already visible across China and is virtually certain to grow more dire over the next decade. Choke Point: China, though, is not a narrative of doom. Rather, our journalists and photographers found a powerful narrative in two parts and never before told. The first important finding—left largely unsaid in and outside China—is how effectively the national and provincial governments enacted and enforced a range of water conservation and efficiency measures. Circle of Blue met the engineers, plant managers, and workers who operate China’s robust and often state-of-the-art energy and water installations. We interviewed the academics and government executives who oversee the globally significant water conservation policies and practices that have been essential to China’s new prosperity. Those policies, we found, sharply reduced waste, shifted water from agriculture to industry, and slowed the growth in national water consumption. Though China’s economy has grown almost eight-fold since the mid-1990s, water consumption has increased 15 percent, or 1 percent annually. China’s major cities, including Beijing, are retrofitting their sewage treatment systems to recycle wastewater for use in washing clothes, flushing toilets, and other grey-water applications. Here in Baotou, a desert city of 1.5 million in Inner Mongolia, the giant Baotou Iron and Steel Company plant, one of the world’s largest, produces 10 million metric tons of steel annually in a region that receives mere inches of rainfall a year. The plant—which is 49 square kilometers and employs 50,000 workers—recycles 98 percent of its water, a requirement of a 1997 law that prompted owners of industrial plants to conserve water. Three Trends Converging We also discovered a second vital narrative that most industrial executives and government authorities we interviewed were either not fully aware of or were reluctant to acknowledge: the tightening choke point between rising energy demand and declining freshwater reserves that forms the central story line of the next era of China’s unfolding development. Stripped to its essence, China’s globally significant choke point is caused by three converging trends:Production of coal has tripled since 2000 to 3.15 billion metric tons a year. Government analysts project that China’s energy companies will need to produce an additional billion metric tons of coal annually by 2020, representing a 30 percent increase. Fresh water needed for mining, processing, and consuming coal accounts for the largest share of industrial water use in China, or roughly 120 billion cubic meters a year, a fifth of all the water consumed nationally. Though national conservation policies have helped to limit increases, water consumption nevertheless has climbed to a record 599 billion cubic meters annually, which is 50 billion cubic meters (13 trillion gallons) more than in 2000. Over the next decade, according to government projections, China’s water consumption, driven in large part by increasing coal-fired power production, may reach 670 billion cubic meters annually — 71 billion cubic meters a year more than today. China’s total water resource, according to the National Bureau of Statistics, has dropped 13 percent since the start of the century. In other words China’s water supply is 350 billion cubic meters (93 trillion gallons) less than it was at the start of the century. That’s as much water lost to China each year as flows through the mouth of the Mississippi River in nine months. Chinese climatologists and hydrologists attribute much of the drop to climate change, which is disrupting patterns of rain and snowfall. “It’s just impossible, if you haven’t lived it or experienced it, to understand change in China over the past 25 years, and especially since 1992,” said Kang Wu, a senior fellow and China energy scholar at East-West Center in Hawaii. “It’s a new world. It’s a new country. The worry in China and in the rest of the world is can they sustain it? They want to double the size of the economy again in 10 years. How can they do that? It’s a paradox from an economic point of view. They need a resource balance to meet demand, short-term and long-term. If you look out 10, 20, 30 years, it just looks like it’s not possible.” Rapid GDP Growth Will Continue In interviews, national and provincial government leaders, as well as energy industry executives, said China has every intention of continuing its 10 percent annual economic growth. “We believe that this is possible and we can do this with new technology, new ways to use water and energy,” said Xiangkun Ren, who oversees the coal-to-liquids program for Shenhua Group, the largest coal company in the world. Xiangkun acknowledged that avoiding the looming choke point will not be easy. The tightening loop is already visible in the jammed rail lines, huge coal truck traffic jams, and buckling roads that Circle of Blue encountered in Inner Mongolia—the country’s largest coal producer—and which are responsible for transporting billions of tons of coal from existing mines to market. Energy prices are steadily rising, putting new inflationary pressure on the economy. Even as China has launched enormous new programs of solar, wind, hydro, and seawater-cooled nuclear power, all of which use much less fresh water, energy market conditions will get worse without new supplies of coal, the source of 70 percent of the nation’s energy. China’s economy and the new social contract with its citizens, who have come to expect rising incomes and improving opportunities, is at risk, say some authorities.

#### Chinese economic collapse causes Asian and Middle East conflict- China will turn outwardly aggressive.

Newmeyer 09 DR. JACQUELINE NEWMYER - LONG TERM STRATEGY GROUP- THE CENTER FOR NATIONAL POLICY “ECONOMIC CRISIS: IMPACT ON CHINESE MILITARY MODERNIZATION” APRIL 8, 2009, http://cnponline.org/index.php?ht=a/GetDocumentAction/i/12503

 So I think either way, either because of the insecurity that is stoked by what’s happening inside China and perceptions about economic slowdown, and/or because of demonization issues and popular discourse, I think that there’s a real chance that the Chinese leadership could feel compelled, for reasons of state security, to take actions that appear more belligerent abroad. And that could have effects leading up to possibly even military conflict or the use of military force against outside actors in addition to whatever force is used inside China to maintain stability. So I think that would be a real, kind of operational test for the PLA, a modernized force now. So, in conclusion, what struck me in thinking about and preparing for this presentation was there was less divergence between the sort of steady state and the more dramatic impact of the economic downturn scenarios than I expected. Either way, I think there is a chance, or a likelihood, of increased friction between China and other external countries, particular countries, that would affected in the case of increased arm transfers, actors in the Middle East would be affected, possibly also the U.S., and in the case of more serious concern about internal unrest in China, I think China’s relations with the West, and with India, or with Japan would be implicated there. So I think contrary to our hopes which would be that the downturn would have the effect of causing China to turn inwards and reduce the chances for any kind of external problem, I think, in fact, there’s reason to think, and to worry, that the downturn would lead to a greater chance of conflict abroad for China.

#### And, pollution from coal causes environmental protests that threaten CCP rule.

LeVine 12 (Steve, author of The Oil and the Glory, Foreign Policy contributor, CHINA The Cost of Coal , The Weekly Wrap -- Aug. 3, 2012, <http://oilandglory.foreignpolicy.com/posts/2012/08/03/the_weekly_wrap_aug_3_2012_part_i>)

China's moment of coal truth: A question that has vexed us for some time is when we will witness an inflection point in ordinary Chinese tolerance for the coal-borne pollution in their air. At that time, we have argued, we will likely also see a sharp turn away from coal consumption, and more use of cleaner natural gas -- Communist Party leaders will see to it for reasons of political survival. With this shift will come important knock-on events, including a materially smaller increase in projected global CO2 emissions. According to Bernstein Research, that tipping point may now be past. In a note to clients yesterday, Michael W. Parker and Alex Leung argue that the moment of truth became apparent to them in two pollution protests over the last month in the cities of Shifang and Qidong. In the former, violent July protests resulted in the scrapping of a planned metals plant; in the latter last week, the ax fell on a waste pipeline connected to a paper mill, again because of an agitated local citizenry. Their paper's title -- Who Are You Going to Believe: Me or Your Smog-Irritated, Burning, Weeping, Lying Eyes? -- is a reference to what the authors regard as a general outside blindness to a conspicuous new political day. One reason no one is noticing, they say, is the curse of history itself. The record of surging economies -- comparing China with, say Japan -- suggests that a burning aspiration for cleaner surroundings over economic betterment should reach critical mass in China only in about a decade. Yet, "the clear signal from Shifang and Qidong is that China has reached the point today, where the population is ready to take to the streets in protest of worsening environmental conditions," the two researchers write. They go on: Since we all agree that the Chinese government is focused on social harmony, the practical implication is that the government will do whatever is required to ensure that people aren't in the streets protesting not just food prices or lack of jobs, but also the environment. Few observers seem to classify the environment as the kind of issue that could excite the Chinese population into the street or the kind of issue that could result in changing political decision making and economic outcomes. And yet that is exactly what we are seeing.

#### Those pollution protests causes Chinese instability and CCP lashout

Nankivell 05 (Nathan, Senior Researcher @ Office of the Special Advisor Policy, Maritime Forces Pacific Headquarters, Canadian Department of National Defence, China's Pollution and the Threat to Domestic and Regional Stability, China Brief Vol: 5 Issue: 22, http://www.jamestown.org/programs/chinabrief/single/?tx\_ttnews%5Btt\_news%5D=3904&tx\_ttnews%5BbackPid%5D=195&no\_cache=1)

As the impact of pollution on human health becomes more obvious and widespread, it is leading to greater political mobilization and social unrest from those citizens who suffer the most. The latest statement from the October 2005 Central Committee meeting in Shanghai illustrates Beijing’s increasing concern regarding the correlation between unrest and pollution issues. There were more than 74,000 incidents of protest and unrest recorded in China in 2004, up from 58,000 the year before (Asia Times, November 16, 2004). While there are no clear statistics linking this number of protests, riots, and unrest specifically to pollution issues, the fact that pollution was one of four social problems linked to disharmony by the Central Committee implies that there is at least the perception of a strong correlation. For the CCP and neighboring states, social unrest must be viewed as a primary security concern for three reasons: it is creating greater political mobilization, it threatens to forge linkages with democracy movements, and demonstrations are proving more difficult to contain. These three factors have the potential to challenge the CCP’s total political control, thus potentially destabilizing a state with a huge military arsenal and a history of violent, internal conflict that cannot be downplayed or ignored. Protests are uniting a variety of actors throughout local communities. Pollution issues are indiscriminate. The effects, though not equally felt by each person within a community, impact rich and poor, farmers and businessmen, families and individuals alike. As local communities respond to pollution issues through united opposition, it is leaving Beijing with no easy target upon which to blame unrest, and no simple option for how to quell whole communities with a common grievance. Moreover, protests serve as a venue for the politically disaffected who are unhappy with the current state of governance, and may be open to considering alternative forms of political rule. Environmental experts like Elizabeth Economy note that protests afford an opportunity for the environmental movement to forge linkages with democracy advocates. She notes in her book, The River Runs Black, that several environmentalists argue that change is only possible through greater democratization and notes that the environmental and democracy movements united in Eastern Europe prior to the end of the Cold War. It is conceivable that in this way, environmentally-motivated protests might help to spread democracy and undermine CCP rule. A further key challenge is trying to contain protests once they begin. The steady introduction of new media like cell phones, email, and text messaging are preventing China’s authorities from silencing and hiding unrest. Moreover, the ability to send and receive information ensures that domestic and international observers will be made aware of unrest, making it far more difficult for local authorities to employ state-sanctioned force. The security ramifications of greater social unrest cannot be overlooked. Linkages between environmental and democracy advocates potentially challenge the Party’s monolithic control of power. In the past, similar challenges by Falun Gong and the Tiananmen protestors have been met by force and detainment. In an extreme situation, such as national water shortages, social unrest could generate widespread, coordinated action and political mobilization that would serve as a midwife to anti-CCP political challenges, create divisions within the Party over how to deal with the environment, or lead to a massive show of force. Any of these outcomes would mark an erosion or alteration to the CCP’s current power dynamic. And while many would treat political change in China, especially the implosion of the Party, as a welcome development, it must be noted that any slippage of the Party’s dominance would most likely be accompanied by a period of transitional violence. Though most violence would be directed toward dissident Chinese, a ripple effect would be felt in neighboring states through immigration, impediments to trade, and an increased military presence along the Chinese border. All of these situations would alter security assumptions in the region.

#### This causes the CCP to launch WMDs and kill billions to try to hold onto power

Renxin 05 Renxin, Journalist, 8-3-2K5 (San, “CCP Gambles Insanely to Avoid Death,” Epoch Times, www.theepochtimes.com/news/5-8-3/30931.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 postpone its life. The CCP, that disregards human life, would not hesitate to kill two hundred million Americans, coupled with seven or eight hundred million Chinese, to achieve its ends. The “speech,” free of all disguises, lets the public see the CCP for what it really is: with evil filling its every cell, the CCP intends to fight all of mankind in its desperate attempt to cling to life. And that is the theme of the “speech.” The theme is murderous and utterly evil. We did witness in China beggars who demanded money from people by threatening to stab themselves with knives or prick their throats on long nails. But we have never, until now, seen a rogue who blackmails the world to die with it by wielding biological, chemical, and nuclear weapons. Anyhow, the bloody confession affirmed the CCP’s bloodiness: a monstrous murderer, who has killed 80 million Chinese people, now plans to hold one billion people hostage and gamble with their lives. As the CCP is known to be a clique with a closed system, it is extraordinary for it to reveal its top secret on its own. One might ask: what is the CCP’s purpose to make public its gambling plan on its deathbed? The answer is: the “speech” would have the effect of killing three birds with one stone. Its intentions are the following: Expressing the CCP’s resolve that it “not be buried by either heaven or earth” (direct quote from the “speech”). But then, isn’t the CCP opposed to the universe if it claims not to be buried by heaven and earth? Feeling the urgent need to harden its image as a soft egg in the face of the Nine Commentaries. Preparing publicity for its final battle with mankind by threatening war and trumpeting violence. So, strictly speaking, what the CCP has leaked out is more of an attempt to clutch at straws to save its life rather than to launch a trial balloon. Of course, the way the “speech” was presented had been carefully prepared. It did not have a usual opening or ending, and the audience, time, place, and background related to the “speech” were all kept unidentified. One may speculate or imagine as one may, but never verify. The aim was obviously to create a mysterious setting. In short, the “speech” came out as something one finds difficult to tell whether it is false or true.

#### And, Chinese pollution causes nuclear war with Russia

Nankivell 05 (Nathan, Senior Researcher @ Office of the Special Advisor Policy, Maritime Forces Pacific Headquarters, Canadian Department of National Defence, China's Pollution and the Threat to Domestic and Regional Stability, China Brief Vol: 5 Issue: 22, http://www.jamestown.org/programs/chinabrief/single/?tx\_ttnews%5Btt\_news%5D=3904&tx\_ttnews%5BbackPid%5D=195&no\_cache=1)

In addition to the concerns already mentioned, pollution, if linked to a specific issue like water shortage, could have important geopolitical ramifications. China’s northern plains, home to hundreds of millions, face acute water shortages. Growing demand, a decade of drought, inefficient delivery methods, and increasing water pollution have reduced per capita water holdings to critical levels. Although Beijing hopes to relieve some of the pressures via the North-South Water Diversion project, it requires tens of billions of dollars and its completion is, at best, still several years away and, at worst, impossible. Yet just to the north lies one of the most under-populated areas in Asia, the Russian Far East. While there is little agreement among scholars about whether resource shortages lead to greater cooperation or conflict, either scenario encompasses security considerations. Russian politicians already allege possible Chinese territorial designs on the region. They note Russia’s falling population in the Far East, currently estimated at some 6 to 7 million, and argue that the growing Chinese population along the border, more than 80 million, may soon take over. While these concerns smack of inflated nationalism and scare tactics, there could be some truth to them. The method by which China might annex the territory can only be speculated upon, but would surely result in full-scale war between two powerful, nuclear-equipped nations.

#### Participating in oil joint ventures boosts US-China energy coop, allowing them to learn from us and control air pollution and environmental degradation.

Wu, Brookings Visiting Fellow, 08 (Richard Weixing Hu, Advancing Sino-U.S. Energy Cooperation Amid Oil Price Hikes, March, http://www.brookings.edu/research/opinions/2008/03/energy-hu)

Fourth, both governments should encourage their energy companies to collaborate in jointly enlarging the global oil supply, and should support the transfer of energy technologies transfer. It would be good for both countries to avoid negative global competition for oil, politically. Commercially, energy companies from both countries could form joint ventures in extracting oil and other forms of energy, so that they could enlarge energy supply for global markets as well as for domestic markets. Both governments should avoid providing cover for their energy companies to compete in third countries. Actually, they have a common enemy in dissuading resource nationalism and market monopoly in the world energy market. U.S. companies also have a big role to play in helping China’s development of energy efficiency and green-energy technology. Given the growing size of its economy, China’s energy efficiency and environmentally sustainable use of energy means a big reduction of pollutants into air and a considerable contribution to the common course of global environmental protection.

#### Investment in the U.S. solves – even if the U.S. is geographically distinct, it gives China the expertise to capitalize on shale quickly enough and to understand how to experiment with different geographical contexts

Yang 8/08/12 (Catherine, Senior-level Washington, D.C.-based business journalist and communications professional, with in-depth experience in China, technology, economics, and other policy issues. , “China Drills Into Shale Gas, Targeting Huge Reserves Amid Challenges” <http://news.nationalgeographic.com/news/energy/2012/08/120808-china-shale-gas/>)

Hills and water have shaped the story of Chongqing, in China's southwest. At the confluence of the Yangtze and Jialing rivers, the Sichuan Province city became China's first inland port open to foreign commerce in 1891. In the 1930s and '40s, Chongqing served as China's wartime capital, although the mountain ranges on all four sides provided less of a buffer than hoped against Japanese air raids. Now a new chapter in Chongqing's history is being written, as hydraulic fracturing rigs assembled this summer in this undulating landscape to drill into one of China's first shale gas exploration sites. (Related Pictures: "A Rare Look Inside China's Energy Machine") Technology to force natural gas from its underground source rock, shale, has transformed the energy picture of the United States in the past six years, and China—sitting on reserves some 50 percent larger than those of the U.S.—has taken note. Hydraulic fracturing, or fracking, is a made-in-the-U.S.A. process that China aims to import. (Related Interactive: "Breaking Fuel From the Rock") On June 9, state-owned oil giant Sinopec started drilling the first of nine planned shale gas wells in Chongqing, expecting by year's end to produce 11 billion to 18 billion cubic feet (300 to 500 million cubic meters) of natural gas—about the amount China consumes in a single day. It's a small start, but China's ambitions are large; by 2020, the nation's goal is for shale gas to provide 6 percent of its massive energy needs. (Related Quiz: "What You Don't Know About Natural Gas") Because natural gas generates electricity with half the carbon dioxide emissions of coal, China's primary power source, the hope is that shale development, if it is done in an environmentally sound manner, will help pave the way to a cleaner energy future for the world's number one greenhouse gas producer. "Clean, rapid shale gas development in China would reduce global emissions," says Julio Friedmann, chief energy technologist at the U.S. Department of Energy's Lawrence Livermore National Laboratory in California, which has been working with the Chinese on environmentally sound fracking practices. But challenges lie ahead in China's effort to replicate the U.S. shale gas revolution. Early indications are that China's shale geology is different. And above ground, China lacks the extensive pipeline network that has enabled the United States to so quickly bring its new natural gas bounty to market. A daunting issue is whether water-intensive energy development can flourish in China given the strains the nation already faces on water and irrigation-dependent agriculture. Even though there are more questions at this point than answers, China is determined to move ahead. "China now realizes it has incredible opportunity to find another major fuel source other than coal," says Albert Lin, chief executive of EmberClear, an Alberta, Canada-based energy project developer that is a partner of China's largest power producer, China Huaneng Group. Large Reserves, Uncertain Promise Shale gas now makes up 25 percent of the U.S. natural gas supply, less than a decade after Devon Energy and other independent U.S. companies paired high-volume hydraulic fracturing with horizontal drilling to force natural gas from fissures in the soft black rock layer a mile or more underground. Development started near Dallas-Fort Worth, but it has since spread across the country, from Wyoming to Pennsylvania. The process has stirred intense debate over local land, water, and air pollution issues, including the accidental leakage of the potent greenhouse gas methane. (Related: "Natural Gas Stirs Hope and Fear in Pennsylvania" and "Air Pollution From Fracked Wells Will Be Regulated") But the flood of new natural gas onto the U.S. energy market has been a key factor in displacing coal. Coal's share of U.S. electricity production has dropped from almost 50 percent to 34 percent in just three years. Largely as a result of that trend, the United States is on track for its energy-related carbon dioxide emissions in 2012 to be 11 percent lower than in 2005, the U.S. Energy Information Administration (EIA) projects. In China, where coal now generates 80 percent of electricity, there is great potential to curb greenhouse gas emissions by substituting natural gas. A preliminary EIA assessment of world shale reserves last year indicated that China has the world's largest "technically recoverable" resources—with an estimated 1,275 trillion cubic feet (36 trillion cubic meters). That's 20 percent of world resources, and far more than the 862 trillion cubic feet (24 trillion cubic meters) in estimated U.S. shale gas stores. (Related: "Can China Go Green?") But not all shale deposits are alike. The best targets are marine deposits, formed by millions of years of heat and pressure from dead organic material that mixed with mud at the bottom of ancient seas. The decay produces methane, the main component of natural gas. Experts say Sichuan Province and the Tarim Basin in Xinjiang Province in the northwest hold promising marine deposits. Five other areas identified by the EIA as potential shale plays in China, including Inner Mongolia's Ordos Basin and parts of northern China, are more likely to hold non-marine deposits, lacking the rich stores of organic material. Still, from initial drilling in the more promising regions, "we know there's [at least] 6 to 8 trillion cubic meters of recoverable shale gas and maybe more" in China, says Friedmann. (Related Quiz: "What You Don't Know About World Energy") Other attributes of China's shale might pose additional challenges. It's believed that many of the deposits are mixed with clay. Clay's pliable, bendable quality makes it more difficult to fracture or break than shale containing more brittle quartz. In addition, shale in Sichuan is 1.2 to 3.7 miles (2 to 6 kilometers) below ground. On the higher end, that's deeper than many of the U.S. deposits, and the mountainous terrain above ground increases the difficulty and cost of drilling. One of the top producing U.S. shale plays, Haynesville in east Texas and western Louisiana, has relatively deep deposits—1.9 to 2.5 miles (3 to 4 kilometers) below ground, notes Bruce Hill, senior geologist at the Clean Air Task Force, a Boston nonprofit that works to lessen fracking's environmental impact. The U.S. experience would suggest that deep fracking can be done, but China's geology has yet to be fully explored. "There is no cookbook for doing shale gas," says Edward Chow, senior fellow at the Center for Strategic and International Studies in Washington, D.C. China needs to do "a lot of experimentation and go through trial and error, examining different shales." Seeking Best Location As home to Asia's longest river, the Yangtze, and a network of existing natural gas pipelines, Sichuan is seen by outside experts as a logical place for China to launch its shale gas industry, especially compared to remote Tarim Basin, which lacks any of the vital infrastructure for producing or transporting gas. Still, the water demand of fracking—requiring millions of gallons—presents a serious concern, says David Fridley, a staff scientist at the U.S. Department of Energy's Lawrence Berkeley lab in California. China's per capita water availability is only a quarter of the world average, according to the World Bank. And Sichuan, which produces 10 percent of China's grain, uses a great deal of its water resources for agriculture. Other issues might also hamper development. The same geologic forces that formed Sichuan's steep mountains present sizeable seismic risk. It was in this region that a devastating earthquake killed 70,000 people in 2008; its epicenter was 215 miles (350 kilometers) northwest of Chongqing. Fracking has been linked with small earthquakes in England, and underground disposal of fracking wastewater has been traced to tremors in Ohio and Texas in the United States. (Related: "Tracing Links Between Fracking and Earthquakes" and "Report Links Energy Activities To Higher Quake Risk") Obtaining know-how also could be a stumbling block. "If they want to develop shale gas in five years, [China] has to partner with companies that really understand drilling and completion practices, says Friedmann. State-owned China National Offshore Oil Corporation (CNOOC) entered into a joint venture with U.S. shale gas leader Chesapeake Energy two years ago, in a move experts viewed as a bid to gain access to expertise. In January, Sinopec, China's number two oil company, purchased a one-third stake in several new ventures of industry pioneer Devon Energy for $900 million and commitment to cover $1.6 billion of future drilling costs. But it's unclear how much access to shale gas technology China will gain through those deals. Bo Kong, assistant research professor at the Johns Hopkins University School of Advanced International Relations in Washington, D.C., notes that the Chinese firms hold minority stakes in the companies, with U.S. partners restricting technology transfer. The head of Sinopec, Fu Chengyu, is seen as taking a more politically cautious approach to collaboration with U.S. energy firms after opposition from Washington in 2005 killed his bid, when he headed up CNOOC, to take over the former Unocal Oil Company. (Similar controversy over foreign control of strategic U.S. assets has erupted over CNOOC's $15.1 billion bid last month to buy Calgary, Canada-based Nexen, which has substantial oil and gas drilling operations in the U.S. Gulf of Mexico.) The smaller independent North American gas companies likely welcome Chinese investment, because their own finances have been pummeled by the low natural gas prices their own operations have wrought. But it will be deals with the big international oil companies on China's own turf that likely will bring shale gas expertise to the world's largest energy consumer, experts say. In March, Shell\* signed the first shale gas production-sharing agreement ever in China, with state-owned China National Petroleum Corporation (CNPC), also known as PetroChina. ExxonMobil, BP, Chevron, and the French company Total also have embarked on shale gas partnerships in China. In its 12th Five-Year Plan (2011-2015), China set the goal of producing 229.5 billion cubic feet (6.5 billion cubic meters) of shale gas by 2015; the United States produced about 30 times more shale gas in 2011. But while the U.S. shale gas revolution amounted to roughly a seven-fold increase in production in the past five years, China's aim is to ramp up shale production at least ten-fold between 2015 and 2020.

#### Narrowing the definition of national security to exclude “energy assets” insulates the CFIUS process from protectionist manipulation.

Carroll-Emory International Law Review-9 23 Emory Int'l L. Rev. 167 COMMENT: BACK TO THE FUTURE: REDEFINING THE FOREIGN INVESTMENT AND NATIONAL SECURITY ACT'S CONCEPTION OF NATIONAL SECURITY

Conclusion Exon-Florio should be amended to more narrowly define national security. The open-ended nature of the current definition has allowed the process to become politicized. Instead, national security should be specifically defined so as to prevent acquisition of industries that are critical to the military aspects of our national defense and that have capacities that are not duplicable by other market entities. The definition should also serve to ensure that export control laws are not circumvented by foreign acquisition of American companies. The following proposed definition would once again focus on preventing foreign governments from gaining unique military capabilities through private transactions that could threaten American national security: National Security shall be defined so as to consider the following factors in reviewing foreign acquisitions: A. Potential effect upon assets essential to the military aspects of national defense, specifically those firms whose contributions to the national defense cannot be easily replaced by another domestic corporation; B. Whether the acquisition poses a substantial risk of espionage or terrorism that can be certified by the relevant United States intelligence agencies; C. Whether the acquisition would pose a unique risk of weapons proliferation of critical military assets that cannot be otherwise dealt with by United States laws, particularly to countries that are not allies of the United States; [\*198] D. Economic security, or any other factor not mentioned in this section, shall not be considered by the CFIUS process. 222 Such an interpretation of national security would heavily scrutinize acquisition of, or joint ventures with, Lockheed Martin or any other company that makes a large contribution to the defense industrial base. Certain high-tech companies that produce computer chips that give the U.S. armed forces technological advantages over other countries might also fall under this definition. China should not be allowed to acquire a controlling interest in the present-day equivalent of Fairchild Semiconductor. This proposed definition of national security would be even more limited than the original Exon-Florio signed by President Reagan, as Exon-Florio was designed to apply mainly to defense-based technological acquisitions. 223 The main difference between this definition of national security and the original Exon-Florio legislation is that this definition would codify national security to explicitly prevent protectionist use of the CFIUS for political ends. Any consideration of economic security or protection of energy assets from foreign acquisition would be excluded from this definition, as inclusion of such economic factors can only encourage protectionism and politicization of the CFIUS process. 224 The narrower definition of national security would eliminate the mandatory reviews of every foreign-government-controlled transaction as required by FINSA. 225 Instead, the CFIUS would be given flexibility to decide which transactions truly threaten national security, without being bound to review every governmental acquisition. Narrowing the definition of national security in this manner would allow the CFIUS to focus its resources on real national security threats, rather than waste resources analyzing nearly every transaction involving a foreign governmental takeover. 226 The CFIUS should certainly consider the prospect of terrorism and take every step possible to safeguard against such a risk. In many cases, safeguards such as extra scans on containers should be put in place to minimize the risk of [\*199] terrorism. These safeguards should be applied regardless of whether the ownership is foreign or domestic. 227 Protectionism cannot replace the Department of Homeland Security when it comes to defending critical infrastructure. 228 Besides, the terrorists who struck on 9/11 did not own substantial property within the United States. Nor would the CFIUS regulations have stopped the subsequent terrorist incidents, such as Richard Reid's attempted shoe bomb or the anthrax shipments. In fact, there is no evidence that any company has been used as a front for a terrorist plot. 229 However, transactions should be blocked by the CFIUS on the basis of homeland security only when there is evidence of a clear and present threat of terrorism, or perhaps of espionage or sabotage. If the term "critical infrastructure" must be kept in FINSA, then members of Congress and the CFIUS must do a better job articulating what exactly constitutes critical infrastructure and what they consider the link between foreign ownership of critical infrastructure and threats to national security. 230 Explicitly laying out such guidelines will illustrate the boundaries to foreign investors and will make CFIUS decisions seem less arbitrary and political. 231 Additionally, screening employees of foreign corporations that purchase critical infrastructure can often identify potential security vulnerabilities without taking the drastic step of vetoing a transaction. 232 Limiting the Exon-Florio definition of national security only to military threats may seem odd and reactionary in the post-9/11 world, where unconventional threats abound. However, counter-terrorism requires appropriate tools, and regulating foreign direct investment simply falls short of being a cost-effective method of ensuring homeland security. 233 Focusing on the nationality of a company's ownership in a globalized world only distracts us from real security threats posed by non-state actors. 234 Many terrorist threats do not exist as a result of primary support from any nation, but rather as tactics in service of an ideology. 235 As Jose Padilla, John Walker Lindh, and [\*200] many others have illustrated, no one ethnic group has a monopoly on Al-Qaeda membership or support. Instead of penalizing investments from various Arab states simply because terrorists draw support from that region, homeland security policy should focus on thwarting the terrorists themselves. The CFIUS must return to a focus on state military capabilities because the terrorist threats are from non-state actors, and restricting economic investment from certain nations does not, per se, deal with the threat of terrorism. Just because terrorism is a serious threat does not mean that the CFIUS is the best tool to protect critical infrastructure. In conclusion, 9/11 did radically change the world, and Exon-Florio should change to fit the new realities of homeland security. However, the most effective reform of Exon-Florio is not expansion of the definition of national security to include economic protectionism, but rather a narrowing of the definition to guard against real threats to American security while encouraging beneficial foreign investment. The security challenges of the twenty-first century cannot be met by protectionism. Only by embracing globalization and cooperation can the United States truly achieve national security.

### \*\*\*2ACs

### \*\*\*Actual 2AC

### \*\*\*Investmnet

### 2AC A2: No Political

#### The process is political

Feng, JD-NYU, 09 (YIHENG, CONSEQUENCES OF THE CONGRESSIONAL POLITICIZATION OF FOREIGN DIRECT INVESTMENT ON NATIONAL SECURITY GROUNDS, http://www.law.nyu.edu/ecm\_dlv1/groups/public/@nyu\_law\_website\_\_journals\_\_journal\_of\_international\_law\_and\_politics/documents/documents/ecm\_pro\_064915.pdf)

To combat this threat, the United States government created a FDI review process under the Exon-Florio Amendment of the Omnibus Trade and Competitiveness Act of 1988 (“Exon-Florio”). 5 Exon-Florio and its primary regulatory apparatus, the Commission on Foreign Investment in the United States (“CFIUS”), has served for over two decades to identify problem transactions, mitigate their effects on national security, and provide the president with a means to intervene in FDI transactions. Unfortunately, Exon-Florio and CFIUS are imperfect tools. As recently illustrated by the downfall of two proposed transactions, CNOOC-Unocal and Dubai Ports World-P&O Steam Navigation, the Exon-Florio review process is far too susceptible to outside political forces in the form of overzealous congressional interference with CFIUS and its mission. Rather than address national security concerns, unrestricted political interference based on political games~~man~~ship and economic protectionism6 can result in a chilling effect on future investment opportunities. Political interference may ultimately be unavoidable, but the current system could be reformed so that it decreases the likelihood that Congress will interfere in FDI under the pretext of national security.

### 2AC A2: China RC

#### This evidence is irrelevant to the advantage – China wants investment in oil and natural gas and isn’t belligerent but utilizes market practices – its just protectionist fervor causing a lack of investment

#### China inst a jerk

Jiang and Sinton 11 (Julie and Jonathan, researchers for the International Energy Agency’s Division for Asia, Latin America and Sub-Saharan Africa, “OVERSEAS INVESTMENTS BY CHINESE NATIONAL OIL COMPANIES Assessing the drivers and impacts,” Feb, http://bloximages.chicago2.vip.townnews.com/trib.com/content/tncms/assets/v3/editorial/d/87/d87965b1-a04c-5f3a-a63c-07b41bc8f415/4d606a83b2220.pdf.pdf)

No evidence brought to light in researching this paper suggests that the Chinese government currently imposes a quota on the NOCs regarding the amount of their equity oil that they must ship to China. Decisions about the marketing of equity oil, where the Chinese companies have control over the disposition of its share of production, appear to be dominated by market considerations. For instance, almost all the equity production Chinese NOCs have in the Americas was sold locally instead of being shipped back to China (FACTS Global Energy, 2010). Considering geographical distances, it is more costly to ship that oil to China. Additionally, Venezuelan heavy crude is not compatible with existing Chinese refining capacities. The latter barrier will soon be removed; PetroChina formed a joint venture with the Venezuelans to build a refinery to process this type of crude oil in Southern China. The planned capacity of this refinery is 200 kb/d. The current equity share NOCs have in Venezuela is 202 kb/d. Chinese crude imports from Venezuela ranged from 155 kb/d to 400 kb/d for the first seven months of 2010. Venezuelan President Hugo Chavez stated that he planned to export 1 mb/d to China by 2011 or 2012.

### 2AC A2: Alt Cause

#### Doesn’t assume FDI which is key.

Blanton and Apodaca 2007

Robert G., Department of Political Science, University of Memphis, and Clair, Department of International Relations, Florida International University, The Social Science Journal 44 (2007) 599–619, https://umdrive.memphis.edu/rblanton/public/pubs\_cv\_blanton/soc\_sci\_journal\_2007.pdf

Traditionally, FDI has been a particularly controversial facet of globalization, as the “global reach” of multinationals arguably posed threats to the power and sovereignty of states. Our results, however, imply that FDI is a signiﬁcant force for peace. This impact may be due to the increased commitment implied by FDI. Though trade and portfolio investment ﬂows are often important to countries, they are “arms length” transactions requiring less direct contact between the involved parties. Moreover, trade and portfolio investment ties are generally easier to sever—the “electronic herd” (Friedman, 2000) of investors can quickly move from one market to another, and (in the case of most goods) alternate trading partners can be easily be found. FDI, by comparison, requires more commitment of both the investor and the host country. Such commitment increases the incentives of all involved actors to seek peace. Investors have a deﬁnite stake in the political stability of the area—not only do they face the “spotlight” (Spar, 1998) of negative public scrutiny if they maintain ties with a violent regime, but they are held increasingly responsible for the political practices of host governments (Ottaway, 2001). Host states, who often actively recruit FDI (Oman, 2000), are likewise anxious to maintain a positive, stable business environment to ensure the jobs and potential beneﬁts that FDI may bring. In short, both the host state and market “audience” play a more active role in FDI. While our economic measures were more inﬂuential in the second (intensity) stage, media access affected conﬂict occurrence. This implies that the free ﬂow of information can have a paciﬁc impact upon societies. States can no longer hide their antagonistic behaviors, but will confront the glare of unﬂattering publicity when their actions do not conform to domestic and international norms of behavior. Such scrutiny apparently has a pacifying impact. However, media access did not play a signiﬁcant role in polities in which a conﬂict did occur. Perhaps, once a state decides to repress its polity or to enter into a civil conﬂict, it implicitly accepts the “costs” of negative publicity and disregards them thereafter.

#### Independently solves war.

Lee and Mitchell 2010

Hoon, Dept of Political Science – Texas Tech, and Sarah, Dept of Political Science – University of Iowa, Foreign Direct Investment and Territorial Disputes http://www.saramitchell.org/leemitchell2010.pdf

Theoretical arguments relating FDI to interstate conflict can be categorized into three broad perspectives. The first perspective asserts that FDI provides more information to states about their opponents’ capabilities and resolve, which creates situations where states can prevent militarized conflicts by mitigating asymmetries of privately held information in dyadic bargaining. For example, Gartzke, Li, and Boehmer (2001) and Gartzke and Li (2003) argue that economic interdependence promotes peace by allowing states to engage in costly signaling and reducing the need to resort to military contests. In their argument, trade and foreign investment function as a medium for information exchange, dissipating private information, one of the key elements producing conflict according to the bargaining model of war (Fearon 1995). In this view, FDI facilitates states’ bargaining to reach an acceptable agreement through peaceful means, reducing their need to resort to militarized strategies of conflict management. A second theoretical position asserts that foreign direct investment (FDI) increases the opportunity costs of conflict and thus encourages more peaceful foreign policies. Similar arguments were posited in much of the earlier work on trade and conflict. For example, Russett and Oneal (2001: 141) suggest that “foreign investment and the globalization of production, like trade, should increase the incentive for peace. Investment creates similar networks of shared interest and communication. Military conflict raises the risk that foreign investment will be expropriated or destroyed.” Focusing on the increasing amount of foreign direct investment for the last thirty years, Souva (2002) and Souva and Prins (2006) argue that since FDI enhances a nation’s wealth through the inflows of financial and human capital, state leaders do not want to disrupt this investment through conflict. This is consistent with the welfare effects argument that FDI improves capital stock and technology (Johnson 1970). Rosecrance and Thompson (2003) also argue that FDI produces vulnerability interdependence that is costly to break, and thus FDI constrains a state from resorting to militarized conflict due to the expected heavy opportunity costs of violence. Simmons (2006) makes a similar argument about the high opportunity costs for trade that are generated by ongoing border disputes. She finds that border disputes reduce contiguous countries’ bilateral trade. A third theoretical perspective treats FDI as a mechanism for states to peacefully extract wealth from other countries, as opposed to extraction of resources through military conquest. Brooks (1999) argues that foreign direct investment modifies the willingness of states to engage in conflict with other states. He suggests, “In general, as a state is increasingly able to rely on multinational corporations to secure needed external resources and supplies, the overall willingness of that state to engage in conquest should decrease” (Brooks 1999: 666). Rosecrance (1999) asserts that nations choose one of two paths for promoting domestic wealth: territorial aggrandizement or commercial transactions. States focused on political-military interests emphasize territorial aggrandizement and pursue aggressive foreign policies. In contrast, states focused on commercial interests emphasize exchange and pursue more peaceful foreign policies. As states focus on exchange, they become more economically dependent on international commerce in terms of both trade and foreign investment. Souva (2002) and Souva and Prins (2006) also argue that FDI typically takes the form of fixed assets in other countries and thus is regarded a form of “extracting” wealth from other states. Considering that conquest is a way of extracting resources from a territory, FDI provides an alternative peaceful tool for the extraction of resources and enables the local population to benefit as well (Souva 2002: 12).

### \*\*\*China Gas

### A2: No Infras

#### They’ll develop in the Sichuan region – solves infrastructure concerns

Yang 8/08/12 (Catherine, staffwriter for National Geographic, “China Drills Into Shale Gas, Targeting Huge Reserves Amid Challenges” <http://news.nationalgeographic.com/news/energy/2012/08/120808-china-shale-gas/>)

As home to Asia's longest river, the Yangtze, and a network of existing natural gas pipelines, Sichuan is seen by outside experts as a logical place for China to launch its shale gas industry, especially compared to remote Tarim Basin, which lacks any of the vital infrastructure for producing or transporting gas. Still, the water demand of fracking—requiring millions of gallons—presents a serious concern, says David Fridley, a staff scientist at the U.S. Department of Energy's Lawrence Berkeley lab in California. China's per capita water availability is only a quarter of the world average, according to the World Bank. And Sichuan, which produces 10 percent of China's grain, uses a great deal of its water resources for agriculture.

#### The government is encouraging drilling in areas where infrastructure already exists and developing infrastructure where it doesn’t exist

Fin 8/31/12 (Al, consultant on energy-related issues, “Why China Needs North American Expertise to Develop Its Vast Shale Gas Resource” <http://alfin2300.blogspot.com/2012/08/why-china-needs-north-american.html>)

The Chinese government promises to support the research and development (R&D) of shale gas technology, and will also accelerate the process permitting investors to develop shale gas reserves. A contract management system will also be put into place to control and monitor industry activity. China will also consider the introduction of subsidies for shale gas projects, which will assist companies with obtaining a waiver or reduction of their license fees, priority for land use permits, and exemption of custom duties for the import of shale gas equipment and related technologies which is unavailable in China. Essentially, the government aims to provide an adequate policy environment for huge shale gas development. The construction of natural gas pipelines will be encouraged at shale gas reserves that are close to existing gas pipeline networks, and the construction of small-scale Liquefied Natural Gas (LNG) or Compressed Natural Gas (CNG) facilities will be encouraged at shale gas reserves remote from existing pipelines. However, the development of the domestic pipeline network will take time and money, and this is expected to slow the pace of shale gas development. China aims to achieve a commercial level of shale gas production which has so far only been achieved in North America.

### 2AC A2: Inv High

### 2AC A2: Investment High

#### Still small comparatively – proves the U.S. is discouraging inward FDI

Scissors and Payne 1/11/13 (Derek, Senior Research Fellow in Asia Economic Policy, and Dean Cheng is Research Fellow in Chinese Political and Security Affairs, \*Amy, research associate at the Heritage Foundation, “Morning Bell: Chinese Investment in the U.S. Shatters Records” <http://blog.heritage.org/2013/01/11/china-investment-in-the-us-2012/>)

China set a record with its investments around the world in 2012. And in the United States, China shattered its previous investment record. Before people start panicking, it’s important to know: This is not a bad thing. First, let’s put it in perspective. Chinese investment is still very, very small as compared to the size of the U.S. economy. At the national level, the stock of investment is barely $50 billion—which sounds large, but is negligible compared to a stock of American wealth of more than $60 trillion. No one’s “taking over” anything. In fact, more Chinese investment is a good thing. It creates jobs; it benefits companies, and it should be welcomed. It also gives us more leverage to push for a more open Chinese market, which continues to be a major problem. Globally, the U.S. can compete and win with China in terms of economic influence, but we have to be willing to play. We have to be willing to expand our trade and investment in both directions.

### 2AC A2: China Key Not US

#### U.S. expertise key to Chinese shale development – current deals are heavily skewed against their favor

Shareholders Unite 11/14/11 (retired university professors from Amsterdam, There are firm limits to this anonymity, however: Seeking Alpha holds our anonymous contributors to the same compliance and biographical standards as contributors who write under their own name. We insist on receiving the author's real name and contact information (which we keep confidential) and maintain a correspondence with the author, forwarding the author any questions or concerns that may emerge about their articles. Stock positions held by anonymous authors must also be disclosed, “Is China Entering A Shale Gas Boom?” <http://seekingalpha.com/article/313954-is-china-entering-a-shale-gas-boom>)

The Chinese are also trying to develop their domestic gas. The Guardian reports how the authorities want to wean the economy off coal and triple the use of natural gas. The aim is that it supplies 10% of the country's energy needs by 2020. Most of the increased domestic gas will come from coal-seam (coal-bed methane) gas, but shale gas will be 12% of domestic gas supply by 2020. China already has considerable coal-seam gas production, but many hope they will be able to reproduce the US shale gas development. In April this year, the first horizontal well was drilled in Chinese shale gas properties in Sichuan. The optimists, like Ming Sung, Asia representative of the Boston-based Clean Air Task Force and an advocate of closer energy links between China and the US, argues it's a game-changer, and that China can learn a lot from the US experience with shale gas. And there seems to be much more reason for optimism: A global shale gas study released this month by the US Energy Information Administration said China's technically recoverable shale gas reserves were almost 50% higher than those of the #2 nation, the US. The energy potential is enormous. The ministry of land and resources calculates the size of shale gas reserves at 26 trillion cubic meters – more than 10 times the country's known holdings of conventional natural gas But the Chinese have little experience with how to get that gas out, which is one reason they are interested in taking positions in American firms which have that experience. There were already deals between PetroChina (PTR) and Encana (ECA), and Cnooc (CEO) and Chesapeake (CHK), for instance. However, energy analysts say state-owned Chinese companies are paying a high premium. "The deal metrics look rich in Encana's favor," research analysts at Credit Suisse said.

### 2AC T Restrictions

we meet-foreign investment is a restriction on production

Hirsch-former senior energy program adviser for Science Applications International Corporation-11 Commentary: Restrictions on world oil production

<http://www.energybulletin.net/stories/2011-03-28/commentary-restrictions-world-oil-production>

Restrictions on world oil production can be divided into four categories: 1. Geology 2. Legitimate National Interests 3. Mismanagement 4. Political Upheaval Consider each in reverse order: Political upheaval is currently rampant across the Middle East, resulting in a major spike in world oil prices. No one knows how far the impacts will go or how long it will take to reach some kind of stability and what that stability will mean to oil production in the Middle Eastern countries that produce oil. We are thus relegated to best guesses, which span weeks, months, or years before there are clear resolutions. One pre-Middle East chaos country limited by political upheaval is Iraq, which is believed to have the oil reserves to produce at a much higher level, but Iraqi government chaos has severely limited oil production expansion. In another long-standing case, Nigeria has been plagued by internal political strife, which has negatively impacted its oil production. Mismanagement of oil production within a country can be due to a variety of factors, all of which mean lower oil production than would otherwise be the case. Venezuela is the poster child of national mismanagement. The country has huge resources of heavy oil that could be produced at much higher rates. Underproduction is due to the government syphoning off so much cash flow that oil production operations are starved for needed funds. In addition, Venezuela has made it extremely difficult, if not impossible for foreign oil companies to operate in the country. Another example of mismanagement is Mexico, where government confiscation of oil revenues, substandard technology, and restrictions on foreign investment has led to significant Mexican oil production decline.

#### We meet – Access restrictions include constraints not just prohibitions-Most qualified evidence

EIA 8 <http://www.eia.gov/oiaf/servicerpt/anwr/results.html>

Analysis of Crude Oil Production in the Arctic National Wildlife Refuge

Methodology This Inventory is based on information that was previously developed through the scientific and land use planning processes of the contributing Federal agencies. This information, in large part, was provided to the public for its review and use and is the best that is commercially and scientifically available. It was compiled and analyzed by experts from the contributing agencies. The analytical methods and protocols used in the supporting studies were subjected to rigorous review. The present study necessarily incorporates the assumptions, conditions, and limitations of the supporting scientific information, as discussed in this report. This Inventory is significant because it builds upon the process established in the EPCA Phase I and II Inventories, and now covers Federal lands throughout the United States. It examines oil and natural gas (undiscovered technically recoverable resources and reserves growth) in context with information about constraints on the resource’s development. The Inventory examines in detail six geological provinces in addition to the twelve included in the Phase II of EPCA. These six provinces are Central Alaska (Yukon Flats portion); Southern Alaska; Eastern Oregon-Washington; the Ventura Basin in California; the Eastern Great Basin in Idaho, Nevada, Utah and Arizona; and the Williston Basin in Montana, North Dakota and South Dakota. The Inventory encompasses the 1.2 billion acres of land that the USGS inventoried as a part of its National Oil and Gas Assessment (NOGA), of which about 279 million are under Federal management. This acreage includes split-estate lands where lands with non-Federal surface are underlain by Federal mineral rights. This analysis of constraints to development centers on two factors that affect access to oil and gas resources on Federal lands. These factors are: (1) whether the lands are “open” or “closed” to leasing (i.e., accessible or inaccessible), and (2) the degree of access afforded by lease stipulations and other conditions on “open” lands (some leasable lands may in effect be “closed” if no drilling can occur). All oil and gas leases are subject to a baseline level of constraint governed by statutory and regulatory requirements (standard lease terms 3 ). These stipulations serve many purposes, ranging from the protection of environmental, social, historical, or cultural resources or values to the payment of rentals and royalties. The Inventory finds that approximately 3,125 individual lease stipulations are being applied, in addition to the aforementioned standard lease terms, by the land managing agencies in the areas analyzed in detail. To focus the analysis of constraints on oil and gas development, the Inventory evaluates the onshore Federal lands: (1) where leasing is permitted under standard lease terms; (2) where leasing is permitted, with varying limitations on access principally seasonal occupancy restrictions; and (3) where oil and gas leasing is precluded or prohibited. The Inventory also considers exceptions to stipulations that may be granted after a review of on-the-ground conditions and the use of modern technologies such as directional drilling. The impact of COAs attached to Federal drilling permits is also analyzed, which gives a more complete assessment of access constraints. A total of 157 unique COAs were identified and their effects on development evaluated. The nine categories of constraints analyzed in this report include the complete range of access restrictions associated with oil and gas leasing.

#### **Mitigation measures delay and alter deals even if they’re not blocked**

Marchick 07 (David, partner at Covington & Burling, where he advises

companies on the CFIUS process, “Swinging the Pendulum too Far: An Analysis of the CFIUS Process Post-Dubai Ports World,” Jan, http://www.nfap.net/researchactivities/studies/NFAPPolicyBriefCFIUS0107.pdf)

In the 18 years that Exon-Florio has been in force, there have been slightly more than 1700 CFIUS filings. Only one transaction has formally been blocked by the President — a 1990 aerospace investment by a Chinese company. From the data, one would think that CFIUS has merely been a rubber stamp, approving 99.9 percent of the acquisitions. The data belie actual practice, since tough restrictions are imposed by CFIUS as a condition for approval — typically through “mitigation” or “national security” agreements. In addition, parties typically will abandon a transaction in the face of a possible rejection rather than force the President to formally block a proposed acquisition. The public relations damage to a company if a President were to block an acquisition would be substantial.

#### Production deals with a high level of scrutiny are considered “restricted”.

Vinson & Elkins LLP 12 (V&E China Practice Update E-communication, “China Amends Foreign Investment Policy: New Foreign Investment Industry Guidance Catalogue,” January 13, http://www.velaw.com/resources/pub\_detail.aspx?id=20405)

The Catalogue classifies foreign direct investments in the various Chinese industry sectors as “encouraged,” “restricted,” “permitted,” or “prohibited,” and sets out specific industries in which foreign investment is either “encouraged,” “restricted,” or “prohibited.” Activities not listed are, in the absence of other rules to the contrary, considered to be “permitted” for foreign investments. Foreign investment in “encouraged” industries may enjoy certain tax benefits and is often subject to less strict administrative requirements from approval authorities. The “restricted” category includes industries into which foreign investment is subject to a higher level of scrutiny, stricter administrative requirements, and may be denied at the discretion of the approval authorities. Foreign investment is not permitted in industries categorized as “prohibited.”

#### ---C/I

#### Restrictions mean qualification on production

Wright v. Magellan Behavioral Health, Inc., 2007 U.S. Dist. LEXIS 48718  2007

In the instant case, the Court is required to interpret the word "restriction" as used by the parties in the Agreement. The parties apparently agree that the legal definition of restriction--"a limitation or qualification," Black's Law Dictionary 1341 (8th ed. 1999)--is a good place to start. Thus, the Court must determine whether the board's supervision requirement falls within this definition.

#### That means conditions on production not just prohibitions

Google Dictionary

qual·i·fi·ca·tion

noun /ˌkwäləfəˈkāSHən/

qualifications, plural

A quality or accomplishment that makes someone suitable for a particular job or activity

- only one qualification required—fabulous sense of humor

The action or fact of becoming qualified as a practitioner of a particular profession or activity

- an opportunity for student teachers to share experiences before qualification

A condition that must be fulfilled before a right can be acquired; an official requirement

- the five-year residency qualification for presidential candidates

#### ---Their interpretation is bad

#### A. Over limits – Their interpretation only allows drill baby drill affirmatives – kills affirmative ground because status quo production is sky high – plan innovation is necessary to circumvent this and produce non-stale debate

#### B. Capital key – Future oil and gas production depends on foreign capital – that’s Hirsch – it’s intrinsically tied to extraction which proves its core aff ground

#### Reasonability first – predictability and debatable interpretations first – limits for limits sake is a race to the bottom and kills affirmative ground

### 2AC T On

#### ---The plan specifies that it removes restrictions only on the production stage. There is no other way to read it and the plan should be the ultimate arbiter of this question.

#### ---Foreign investment restrictions apply to extraction

Clark-partner Dewey & LeBoeuf LLP-11

LIMITS ON INTERNATIONAL BUSINESS IN THE PETROLEUM SECTOR: CFIUS INVESTMENT SCREENING,

ECONOMIC SANCTIONS, ANTI-BRIBERY RULES, AND OTHER MEASURES

<http://tjogel.org/wp-content/uploads/2012/05/ware_final1.pdf>

B. Petroleum Industry Experience and Challenges: Exon-Florio Although CFIUS’s focus on energy-related transactions is a recent development, U.S. government decision-makers have long viewed oil company deal-making as having a strategic dimension. 34 Concern about the oil and gas industry was a driving factor in the original establishment of CFIUS in 1975. In the 1970s Congress had grown concerned over the rapid increase in investments by Organization of the Petroleum Exporting Countries (“OPEC”) in portfolio assets, suspecting that they may be driven by political, rather than by economic, motives. 35 In 2006 congressional outcry over a CFIUS-approved acquisition of a port management business by UAE-controlled Dubai Ports World led to a broad reformulation of Exon-Florio. The legislation, the Foreign Investment on National Security Act (“FINSA”), reflects a congressional intent to scrutinize oil and gas acquisition intensively. As indicated above, the statute urges CFIUS to consider in assessing transactions “the long-term projection of the United States requirements for sources of energy and other critical resources and material” and “the potential national security-related effects on United States critical infrastructure, including major energy assets.” 36 The legislative history “makes clear that national security encompasses national security threats to . . . energy-related infrastructure.” 37 The House of Representatives committee that prepared the legislation expressed its view that it “expects that acquisitions of U.S. energy companies or assets by foreign governments or companies controlled by foreign governments . . . will be reviewed closely for their national security impact.” 38 Transactions in the energy sector have been subject to CFIUS review at various stages of the value chain, including extraction, transportation, conversion to power, and supply to the U.S. government. 39 Over time CFIUS appears to be paying closer attention to deals involving these types of assets, creating some uncertainty for potential mergers and acquisitions in this sector.

#### ---the plan applies to 100 percent of production

Rosen and Hanemann-Rhodium Group-11 (An American Open Door? Maximizing the Benefits of Chinese Foreign Direct Investment, http://www.ogilvypr.com/files/anamericanopendoor\_china\_fdi\_study.pdf)

Several high-profile deals fired up these debates, such as the takeover of Peninsular and Oriental Steam Navigation Company by Dubai Ports World in 2005–2006, and the failed acquisition of California-based Unocal by CNOOC in 2005. These transactions provoked negative public reaction, congressional pressure, and, ultimately, legislative action that compelled the firms involved to withdraw. 80 In 2007, FINSA updated and elaborated the CFIUS process and, for the first time, provided it with a legislative mandate. FINSA extended CFIUS review to cover “critical” U.S. infrastructure, added the director of national intelligence and secretary of labor to the CFIUS committee as nonvoting members, and required that all deals involving critical infrastructure or foreign-government-controlled entities be reviewed unless explicitly exempted by the Treasury Department or a lead agency from among the CFIUS members (with a highlevel official—deputy secretary or higher—taking responsibility for the exemption).

#### ---C/I-Production is a distinct stage from exploration, transportation, storage, and distribution.

Elcock 04 (Deborah, ‘Environmental Policy and Regulatory Constraints to Natural Gas Production,” Argonne National Laboratory, Dec, http://www.ipd.anl.gov/anlpubs/2004/12/51652.pdf)

In 1999, the National Petroleum Council (NPC) reported that the demand for natural gas was growing and that the resource base was adequate to meet this demand; however, certain factors needed to be addressed to realize the full potential for natural gas use in the United States (NPC 1999). In 2001, the National Energy Policy Development Group (NEPDG), established by the President to develop a plan to help the private and public sectors promote dependable,2 affordable, and environmentally sound energy for the future, presented its National Energy Policy (NEPDG 2001). The NEP recommendations included investigating several areas that could be limiting domestic natural gas production. The potential for a near-term natural gas shortage prompted a June 26, 2003, Natural Gas Summit, designed to give the Secretary of Energy and other DOE officials information on the ramifications and potential resolutions of short-term challenges to the natural gas industry. In September 2003, the NPC released an update to its 1999 study (NPC 2003). In the update, the NPC reports that government policies encourage the use of natural gas but fail to address the need for additional natural gas supplies. The 2003 report states that a status quo approach to these conflicting policies will result in undesirable impacts to consumers and the economy. A key issue raised but not fully explored in these efforts was how environmental and regulatory policy constraints, which were developed to meet national environmental protection goals, can, at the same time, limit natural gas exploration and production (E&P) and transportation. Recent studies have examined limitations to accessing natural gas, particularly in the Rocky Mountain region, but even after the gas is accessed, numerous additional environmental policy and regulatory constraints can affect production and delivery to consumers. The purpose of this Phase I study is to identify specific existing and potential environmental policy and regulatory constraints on E&P, transportation, storage, and distribution of natural gas needed to meet projected demands. It is designed to provide DOE with information on potential constraints to increased natural gas supply and development in both the long and short terms so that the Department can develop, propose, and support policies that eliminate or reduce negative impacts of such constraints, or issues, while continuing to support the goals of environmental protection. It can also aid in setting priorities for regulatory reviews and for research and development (R&D) efforts. 1 A possible future Phase II study would identify potential short-, mid-, and long-term strategies for mitigating these environmental policy and regulatory constraints.

#### ---Our interpretation is Superior-it allows a core set of affirmatives that remove restrictions related to extraction. It excludes restrictions before or after the production stage like exploration and transportation.

#### ---Reasonability-Competing interpretations encourage a race to the bottom. Limits for limits sake have destroyed affirmative ground on the last several topics. You should err affirmative if our interpretation is proven debatable.

### 2AC Waivers

#### ---Fiat abuse-the counterplan doesn’t fiat a policy, but rather fiats individuals decide to approve investment deals as they come up. That’s illegitimate and should be rejected:

#### A. Kills Affirmative ground-Future fiat of individual attitudes allows them to dodge solvency and perception arguments that would link to policy change. A policy that had CFIUS approve all the deals and leave the review process in place would link to politics worse.

#### B. Structural fiat preferable to attitude shift model-Focus on policy issues is important for targeting debates on the literature and avoiding a digression into the hearts and minds of individuals.

#### C. Future Fiat. Justifies the permutation: Do the plan after the agenda item is voted on. It’s reciprocal and proves their net benefit argument isn’t a germane opportunity cost. Immediate fiat is the only bright line standard and assures both sides fair and predictable ground.

#### D. Counter-interpretation solves 100 percent of their offense because they can still fiat that the deals are approved, but it must come from a directive, whether it be through legislation or agency guidance.

#### ---Permute- do the CP- the plan text is a waiver

Corr 94 (Christopher, Attorney, Mudge Rose Guthrie Alexander & Ferdon, Washington, D.C., Winter, 1994, 9 Am. U.J. Int'l L. & Pol'y 417, A SURVEY OF UNITED STATES CONTROLS ON FOREIGN INVESTMENT AND OPERATIONS: HOW MUCH IS ENOUGH?, lexis)

General investments by foreigners in U.S. banks also are regulated in certain circumstances. In particular, the act requires disclosure of any purchase of shares in a U.S. bank with the use of loans from a foreign bank that were secured by such shares. 183 Foreign banks must be careful to comply with the act, as penalties can be severe. The act provides for a civil penalty of up to $ 25,000 for each day during which a violation continues. 184 Further, there is a three-tiered penalty system for failure to make required reports, ranging in severity from maximums of $ 2,000 to $ 1,000,000 per day for inadvertent and knowing violations, respectively. 185 [\*452] There also are certain longstanding restrictions on bank operations by foreigners at the federal level. The National Bank Act 186 provides that all directors of national banks must be U.S. citizens. Further, at least two-thirds of the directors on the board of a national bank must reside in the state where the bank is located or within 100 miles of the bank. 187 The Comptroller of the Currency may waive the citizenship requirements for a minority of the directors of a national bank that is a subsidiary or affiliate of a foreign bank. 188 Notwithstanding these restrictions on directors, there are no federal statutory or regulatory citizenship requirements restricting ownership or control of, or investment in, national banks. Subject to the provisions of Foreign Bank Supervision Enhancement Act, foreign banks generally may own federally or state-chartered banks, and may establish federal or state branches or agencies. 189 The general federal policy regarding the regulation of U.S. branches of foreign banks has been and, for the most part, continues to be, to afford them national treatment. Therefore, provided it can satisfy the newly imposed regulatory requirements, a foreign bank wishing to engage in full service wholesale and retail banking in the United States generally has the choice of establishing a direct branch in the United States, or establishing or acquiring a federally or statechartered bank. 190

#### ---Doesn’t solve the case:

#### A. Can’t solve mitigation measures or voluntarily withdrawn deals

Carroll-Emory International Law Review-9 23 Emory Int'l L. Rev. 167

COMMENT: BACK TO THE FUTURE: REDEFINING THE FOREIGN INVESTMENT AND NATIONAL SECURITY ACT'S CONCEPTION OF NATIONAL SECURITY

C. Pre-9/11 Application of Exon-Florio As mentioned above, President Reagan delegated implementation of Exon-Florio to the CFIUS. 70 The Secretary of the Treasury chairs the CFIUS, and its membership includes the Secretaries of State, Defense, Commerce, and now Homeland Security, as well as the Attorney General and several other members. 71 The CFIUS can review a transaction to determine if it affects national security based upon either a voluntary notice filed by the parties to the transaction or upon an agency notice filed by one of the CFIUS members. 72 Due to its concern that increased investigations will deter foreign investment, the Treasury Department has traditionally taken a narrow view of national security threats. 73 Other departments, such as Defense and Homeland Security, have taken much broader views of national security that include concerns about foreign ownership affecting "critical infrastructure," and the long-term future of American technological leadership. 74 This split between departments reflects the larger political debate between the narrow and broad interpretations of the term "national security" by the CFIUS. 75 The CFIUS initiates a 30-day review as an initial step after receiving notice of the transaction, followed by an additional 45-day investigation if necessary. 76 After the 45-day investigation, the CFIUS files a formal report with the president, recommending a course of action regarding the transaction, and the law requires a presidential decision within 15 days of receiving the report. 77 At any point during the review process, the companies and the [\*178] CFIUS may come to an agreement to "mitigate" the security consequences of the deal. 78 Since the CFIUS rejects very few deals, the most common outcome of the CFIUS process is a mitigation agreement. 79 Through the end of 2001, there were 1,391 filings with the CFIUS, with nineteen 45-day investigations (twelve taking place in the first three years of the CFIUS). 80 While parties withdrew eight notices after the 45-day investigation during this period, the President has formally rejected only one transaction. 81 As such, even immediately after the passage of Exon-Florio, proponents of the legislation complained that the standards of review were not strict enough because the CFIUS investigated such a small percentage of all transactions submitted, and only one acquisition - a 1990 Chinese acquisition of a U.S. aerospace manufacturer - was vetoed by the President, due to concerns that the acquisition would allow China to circumvent export control laws. 82 However, parties withdrew a number of transactions following informal consultations with the CFIUS, and the CFIUS does not keep track of or publish data that indicates when transactions are withdrawn after a filing but before a formal investigation. 83

#### B. The counterplan codifies uncertainty into CFIUS policy –law is on the books but the U.S. may accept deals which confuses investors and results in a chilling effect

Sussman 11 (Edna, principal of SussmanADR LLC and has been appointed as the Distinguished ADR Practitioner in Residence by the Fordham University School of Law, A Multilateral Energy Sector Investment Treaty: Is it Time For a Call For Adoption by All Nations?, THE INTERNATIONAL LAWYER: A QUARTERLY PUBLICATION OF THE ABA/SECTION OF INTERNATIONAL LAW, Jan, <http://www.sussmanadr.com/docs/Energy%20Charter%20Treaty%20%20SIL%201-2011%20as%20published_new.pdf>)

The predictability of regulation and host government action is of particular importance in the energy sector as the viability of the economics of many energy projects depend on incentives and subsidies granted by governments to encourage such investment.166 Energy project development is very capital-intensive and requires the investment of huge sums for projects that are very long-term in nature.167 This is not a business comprised of many short-term, low-cost investment opportunities. Energy is a critical natural resource that nations often regard as uniquely their own and has a history of expropriations which makes an assurance of investment protection all the more important.168

#### C. Can’t solve chilling – don’t know why certain deals go through and others don’t – clear criteria key

Pane 05 (Marc, studied ILaw at Fordham, worked for the Office of the Principal Defender for the Special Court for Sierra Leone, CNOOC’s Bid for UNOCAL: Now is the Time to Improve theExon-Florio Amendment, http://www.scribd.com/doc/61823408/CNOOC-s-Bid-for-UNOCAL-Now-is-the-Time-to-Improve-the-Exon-Florio-Amendment)

It is beyond the scope of this paper to judge which of these concerns are valid and which not- indeed, it is likely that the most conclusive way to answer these questions would be to subject them to CFIUS review. However, without clearly defined standards of review, the advantage granted to parties wielding the threat of review remains, notwithstanding that those parties may have motives which are protectionist, retaliatory, or otherwise unconcerned with national security. Moreover, any review would be inconclusive so long as CFIUS’s findings in investigating cases remain entirely confidential. This does not prevent an examination of the questions raised by each concern as they relate to motivation, Exon-Florio, and future engagement with China.

#### Links to politics – Nexen deal on the docket – it’s a political lightning rod

Zhu and Erman 12/13/12 (Charlie, Michael, staffwriters for Fox Business, “Analysis: Nexen's U.S. Gulf oilfields key to China's deepwater ambitions” <http://www.foxbusiness.com/news/2012/12/13/analysis-nexen-us-gulf-oilfields-key-to-china-deepwater-ambitions38737/>)

HONG KONG/NEW YORK – CNOOC Ltd's purchase of Canadian energy producer Nexen Inc may prove to be bittersweet if U.S. regulators block the Chinese state-run oil company from taking over Nexen's oilfields in the Gulf of Mexico. CNOOC won a major coup last week by securing Ottawa's consent for the $15.1 billion deal, China's largest ever overseas acquisition, but the company is still waiting for approval from the U.S. government. While the Gulf assets are just a fraction of Nexen's reserve base and production, they would give CNOOC a foothold in the world's premier deepwater oil province from which to acquire the technical know-how to drill in the contested South China Sea. "The Nexen prize is the hi-tech ultra-deepwater drilling tech," said a person familiar with CNOOC's business strategy, adding that the Gulf of Mexico assets were "one of the key reasons that they are buying Nexen". Approval from Washington is also important to CNOOC as it wants to be endorsed as an acceptable operator in the United States after American politicians blocked its high-profile bid for Unocal in 2005, according to another source. A rejection would not sink the entire deal -- CNOOC is ready to buy Nexen excluding the U.S. assets, people familiar with the situation told Reuters. But it would be a major blow to CNOOC's deepwater ambitions. An acquisition of the Gulf of Mexico assets would make CNOOC the operator of deepwater producing assets for the first time, giving it the prized opportunity to grasp the expertise it desperately needs to realize its production target. China, the world's largest energy user, is already relying on imports for more than half of its oil needs. The country has long hoped to expand deepwater exploration in the South China Sea as onshore production growth sags. CNOOC, which derives nearly all its domestic output from shallow waters, has vowed to build deepwater capacity of 1 million barrels of oil equivalents per day by 2020, more than doubling the company's total production. Buying Nexen -- most of whose reserves are oil sands and shale gas in Canada and crude oil in the North Sea -- would mark a "material entry into the Gulf of Mexico" and an "increase in access to deepwater expertise", CNOOC said in a July presentation after it announced its bid for Nexen. As the Committee on Foreign Investment in the United States, or CFIUS, examines whether the deal presents any threats to national security, a handful of U.S. politicians have voiced concerns. One issue the committee will examine, CFIUS experts say, is whether Nexen's assets are too close to sensitive U.S. military areas. Senator James Inhofe, soon to be the top Republican on the Senate Armed Services Committee, told Reuters on Tuesday that he hopes CFIUS forces CNOOC to divest the assets. "It's the same as it would be when I object to their presence in our borders in California, or the Panama canal -- they're not our reliable ally," Inhofe said. Under U.S. law, CFIUS operates in complete secrecy and it is not known when it may make a decision or which way it is leaning. CNOOC has declined comment on the review and Nexen had no immediate comment.

Cyber security is a priority for CFIUS investigations – high levels of mergers and acquisitions put pressure on the system

Skadden LLP ’11

Skadden's 2011 Insights"Global M&A"

<http://www.skadden.com/insights/global-ma>

Trends in the CFIUS Review Process

2010 was the second full year under the regulations the Treasury Department adopted to implement the Foreign Investment and National Security Act of 2007 (FINSA). CFIUS’ caseload remained light for much of the year, reflecting the relatively low levels of global M&A activity, but then increased substantially in the fourth quarter. While the number of cross-border transactions subject to CFIUS review in 2010 was still lower than the peak year of 2008, the number of filings in 2010 exceeded 2009 by a considerable margin. Trends in the CFIUS review process included: The number of transactions that went to investigation continued to increase. The CFIUS process consists of a mandatory 30-day review and a discretionary 45-day investigation period, which CFIUS can impose if, in its discretion, it determines that the transaction may “impair national security,” for instance because the transaction would result in “foreign government control” or in foreign control of “critical infrastructure.” We expect this trend to continue in 2011. Fewer transactions were subject to mitigation agreements. In the past, CFIUS has entered into mitigation agreements with parties to transactions to address national security concerns identified during the review process. The number of such agreements declined in 2010, a development largely attributable to FINSA’s requirement that mitigation agreements must be approved unanimously by all CFIUS member agencies. Because those agreements often reflect the concerns of one particular CFIUS member agency but not others, the unanimity requirement has had a pronounced effect and likely will continue to do so in the future. Industrial supply chain and defense industrial base concerns have crept into CFIUS review. The Department of Defense, as a CFIUS member agency, has increasingly pushed assessments of a transaction’s effect on the industrial supply chain and on the defense industrial base during CFIUS review. This reflects a growing concern on DOD’s part that it maintain trusted suppliers for telecommunications and other critical technologies and equipment used in DOD activities. Cybersecurity issues are increasingly important. Fears of cyber-espionage, the vulnerability of companies with sensitive information to cyberattack, and concerns that reliance on foreign telecommunications providers may expose U.S. government agencies and companies to risks all play a growing role in the CFIUS review process. These issues are especially acute in transactions involving the telecommunications sector, but FINSA now requires all U.S. companies involved in transactions subject to CFIUS review to provide their cybersecurity plans. Although CFIUS blocked two transactions (Firstgold and Emcore) involving Chinese acquirers, those transactions reflected broader concerns beyond the nationality of the foreign acquirer. Indeed, CFIUS approved a number of transactions involving Chinese acquirers, including Meadville Holdings Limited’s sale of its printed circuit board business to TTM Technologies. The Firstgold and Emcore transactions were distinguished instead by two key issues: Co-location of classified facilities. Emcore’s facilities reportedly were in close proximity to classified U.S. government facilities, which likely heightened CFIUS’ perception that foreign ownership of Emcore would pose a risk to U.S. national security. Similarly, Firstgold’s Nevada mine leases were on federal government property, and all four of its facilities were in close proximity to military installations and/or classified U.S. government facilities, limiting mitigation options. Access to export-controlled technologies and/or resources with military applications. Emcore’s fiber optics business also produced and/or used a number of export-controlled technologies with significant military applications, raising additional concerns about whether the proposed investment would give a foreign company access to such technologies. Likewise, CFIUS expressed concerns as to whether Firstgold’s mining operations might give China greater access to tungsten, a key component in missiles that is subject to U.S. export control restrictions. In 2010, the United States and other countries became increasingly active in their scrutiny of foreign investments in companies deemed strategically essential to national security. It remains to be seen whether this trend will remain limited to businesses involved in telecommunications, critical technologies and access to raw materials, or whether it will broaden to encompass a wider range of industries in 2011.

#### Lack of clarity in defining national security encourages companies on the margin to file with CFIUS – this overstretches limited agency resources

Marchick 07 (David, partner at Covington & Burling, where he advises

companies on the CFIUS process, “Swinging the Pendulum too Far: An Analysis of the CFIUS Process Post-Dubai Ports World,” Jan, http://www.nfap.net/researchactivities/studies/NFAPPolicyBriefCFIUS0107.pdf)

In the wake of the Dubai Ports World controversy, the process for securing approvals within CFIUS (the interagency Committee for Foreign Investment in the United States) has grown more difficult for foreign investors, adding to uncertainty and increasing the regulatory risk associated with certain foreign acquisitions. Such uncertainty could inhibit investment in the United States. Reviews are taking longer, costs for companies have increased and CFIUS-imposed conditions are tougher. The more politicized environment surrounding CFIUS has created uncertainty for companies as to whether they should file a transaction with CFIUS. If a company does not file, then it risks CFIUS initiating its own review or opening a review after a deal has been finalized. Given CFIUS’s limited resources, a climate that encourages companies to file with CFIUS for transactions with only a limited nexus to national security actually impedes CFIUS's ability to protect national security by compelling CFIUS staff to focus on acquisitions with few genuine security concerns rather than cases that may require greater due diligence. While CFIUS's primary responsibility is to protect national security, a process which creates greater uncertainty for investments unrelated to national security is unlikely to make America more secure. U.S. national security depends in part on the strength of the U.S. economy, access to leading technologies and our relations with other countries. Therefore, Congress and the executive branch need to find the right balance to meet the twin objectives of protecting national security and promoting investment in the United States.

#### And telecommunications is uniquely vulnerable – risks of attacks undermine national and economic security

Rogers-Chair Committee on Intelligence-10/8/12

Investigative Report on the U.S. National Security Issues Posed by Chinese Telecommunications Companies Huawei and ZTE

http://intelligence.house.gov/sites/intelligence.house.gov/files/documents/Huawei-ZTE%20Investigative%20Report%20(FINAL).pdf

The United States’ critical infrastructure, and in particular its telecommunications networks, depend on trust and reliability. Telecommunications networks are vulnerable to malicious and evolving intrusions or disruptive activities. A sufficient level of trust, therefore, with both the provider of the equipment and those performing managed services must exist at all times. A company providing such equipment, and particularly any company having access to or detailed knowledge of the infrastructures’ architectural blueprints, must be trusted to comply with United States laws, policies, and standards. If it cannot be trusted, then the United States and others should question whether the company should operate within the networks of our critical infrastructure. The risk posed to U.S. national-security and economic interests by cyber-threats is an undeniable priority. First, the country’s reliance on telecommunications infrastructure includes more than consumers’ use of computer systems. Rather, multiple critical infrastructure systems depend on information transmission through telecommunications systems. These modern critical infrastructures include electric power grids; banking and finance systems; natural gas, oil, and water systems; and rail and shipping channels; each of which depend on computerized control systems. Further, system interdependencies among these critical infrastructures greatly increase the risk that failure in one system will cause failures or disruptions in multiple critical infrastructure systems. 4 Therefore, a disruption in telecommunication networks can have devastating effects on all aspects of modern American living, causing shortages and stoppages that ripple throughout society. Second, the security vulnerabilities that come along with this dependence are quite broad, and range from insider threats 5 to cyber espionage and attacks from sophisticated nation states. In fact, there is a growing recognition of vulnerabilities resulting from foreign-sourced telecommunications supply chains used for U.S. national security applications. The FBI, for example, has assessed with high confidence that threats to the supply chain from both nation-states and criminal elements constitute a high cyber threat. 6 Similarly, the National Counterintelligence Executive assessed that 2 “foreign attempts to collect U.S. technological and economic information will continue at a high level and will represent a growing and persistent threat to US economic security.” 7 Third, the U.S. government must pay particular attention to products produced by companies with ties to regimes that present the highest and most advanced espionage threats to the U.S., such as China. Recent cyber-attacks often emanate from China, and even though precise attribution is a perennial challenge, the volume, scale, and sophistication often indicate state involvement. As the U.S.-China Commission explained in its unclassified report on China’s capabilities to conduct cyber warfare and computer network exploitation (CNE), actors in China seeking sensitive economic and national security information through malicious cyber operations often face little chance of being detected by their targets. 8 Finally, complicating this problem is the fact that Chinese telecommunications firms, such as Huawei and ZTE, are rapidly becoming dominant global players in the telecommunications market. In another industry, this development might not be particularly concerning. When those companies seek to control the market for sensitive equipment and infrastructure that could be used for spying and other malicious purposes, the lack of market diversity becomes a national concern for the United States and other countries. 9 Of note, the United States is not the only country focusing on these concerns. Australia expressed similar concerns when it chose to ban Huawei from its national broadband infrastructure project. 10 Great Britain has attempted to address the concerns by instituting an evaluation regime that limits Huawei’s access to the infrastructure and evaluates any Huawei equipment and software before they enter the infrastructure. 11

#### And telecommunications capabilities are critical to air power

Spade 12

INFORMATION AS POWER-CHINA’S CYBER POWER AND AMERICA’S NATIONAL SECURITY, Colonel Jayson M. Spade-Executive Agent for the Mongraph: United States Army War College, May 2012, http://www.carlisle.army.mil/dime/documents/China's%20Cyber%20Power%20and%20America's%20National%20Security%20Web%20Version.pdf

Cyber power is the ability of a nation-state to establish control and exert influence within and through cyberspace, in support of and in conjunction with the other domain-elements of national power. Attaining cyber power rests on the state’s ability to develop the resources to operate in cyberspace. Cyber power as a nation-state capability is no different than land, sea, air, or space power. Instead of tanks, ships, and airplanes, the state needs networked computers, telecommunication infrastructure, programs and software, and people with the requisite skills. As with the land, sea, air, and space domains, the state can produce effects within cyberspace or into another domain through cyberspace.35 A cyber attack could corrupt an adversary’s logistics database, degrading the adversary’s rapid deployment capabilities; bring down an air defense network, enabling an air attack; or jam the signals of a global positioning satellite, interfering with a warship’s ability to navigate or target its weapons systems.

#### Global WMD conflict

Tellis 98 (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 subregions of the continent still harbor the potential for full-scale conventional war. This potential is most conspicuous 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 preplanned 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, U.S. air power 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 armed operations against 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.

### 2AC NG DA

#### ---No link uniqueness –

#### A. Record domestic production – Chinese investment not key

Bloomberg 1/9/13 (“Fracking Pushes US Oil Production to Highest in 20 years”, <http://www.washingtonpost.com/business/fracking-pushes-us-oil-production-to-highest-in-20-years/2013/01/10/196b0e58-5a9f-11e2-b8b2-0d18a64c8dfa_story.html>)

Jan. 9 (Bloomberg) -- U.S. oil production exceeded 7 million barrels a day for the first time since March 1993 as improved drilling techniques boosted exploration across the country and reinforced a shift toward energy independence. The Energy Department reported today that weekly average output rose to 7.002 million barrels a day in the week ended Jan. 4, a 1.16 million-barrel increase from the same week last year. The country met 83 percent of its energy needs in the first nine months of 2012, on pace to be the highest annual rate since 1991, department data show. Production grew by the fastest pace in U.S. history last year and will accelerate in 2013 as horizontal drilling and hydraulic fracturing, or fracking, unlocks crude trapped in formations such as North Dakota’s Bakken shale. The state boosted production 40 percent last year through October, Energy Department data show. Texas was up 23 percent, and Utah rose 11 percent. “I don’t think anyone expected the magnitude of the change in just one year,” said Andy Lipow, president of Lipow Oil Associates LLC, a Houston-based consulting firm. “It’s extraordinary.” Oil declined 5 cents to settle at $93.10 a barrel today the New York Mercantile Exchange. The fuel declined 7.1 percent last year as stockpiles swelled by 9.2 percent. Inventories advanced to 361.3 million barrels last week, the Energy Department said today.

#### ---Production is high and will only continue to increase – government is warming up to oil lobbies

Unger 1/9/13 (David J., correspondent for the Christian Science Monitor, “Oil shows record growth. Will Obama 2.0 warm to fossil fuels?” <http://www.csmonitor.com/Environment/2013/0109/Oil-shows-record-growth.-Will-Obama-2.0-warm-to-fossil-fuels>)

President Barack Obama champions renewables as the future of energy. The latest numbers tell a different tale. Consumption of renewable energy in the US declined by 2.5 percent in 2012, according to the US Energy Information Administration, while US crude oil production jumped by a record 800,000 barrels a day over 2011. Production averaged 6.4 million barrels daily in 2012, and the EIA expects it to increase to 7.9 million barrels a day in 2014. That number would mark the highest annual average level of production since 1988. Bolstered by new drilling techniques, natural gas inventories hit record highs in November 2012, but ended the year only slightly ahead of last year's level. As the president maps out his second term, he will have to decide how much of his "all-of-the-above" approach to energy should nurture the booming oil and gas industries as opposed to renewables. There are hints of a rapprochement between the president and the energy industry. Jack Gerard, president and CEO of the American Petroleum Institute, predicted Tuesday that Mr. Obama would soon act on whether to approve the Keystone XL pipeline, EnergyWire reports. He added that he was "encouraged" by what he was hearing from the White House.

#### ---No link – investment tradeoff

Scissors, Senior Research Fellow-Heritage, 12 (Derek, Senior Research Fellow in Asia Economic Policy, and Dean Cheng is Research Fellow in Chinese Political and Security Affairs , “China Buys Canadian Energy: Lessons for the U.S.,” July 26, 2012, http://www.heritage.org/research/reports/2012/07/china-buys-canadian-energy-lessons-for-the-us)

Wide-Ranging Implications One policy implication of CNOOC–Nexen is thus a bit stale: Blocking the Unocal deal was a mistake. As with Nexen, CNOOC’s bid for Unocal was freely agreed to. Its rejection by the U.S. government merely caused CNOOC to invest elsewhere, along with its bigger sisters in oil and other Chinese firms in other sectors. American participation in Chinese investment was delayed a few years, and the PRC was encouraged to seek oil in places where the U.S. now does not want it to be, such as Iran. Another implication follows immediately: If the U.S. wants to influence the way the Chinese participate in the global energy market, it should not object to the Nexen deal. Washington rightly wants the PRC to move away from dubious oil-producing regimes in Venezuela, Sudan, and elsewhere. Where should China go? A country that will respect international sanctions, has sound regulatory oversight, and is a close American ally is the ideal alternative.

#### No company or lender is willing to invest in CCS – even after regulations

Johnson 6-11

Steve, “Co-op Rep: EPA Off Base on Carbon,” http://www.ect.coop/public-policy-watch/energy-environment/electric-cooperative-epa-carbo-reduction-rule/45194

A Mid-Atlantic G&T official told a congressional panel that a federal carbon reduction standard impairs the plans of his cooperative and other electric utilities for future baseload generation. David Hudgins said the Environmental Protection Agency has failed to state a clear benefit to its proposed limits on greenhouse gases at new fossil-fuel plants and wrongly assumes that utilities can rely on unproven carbon capture and storage technology to meet them. “No company will take the risk to invest billions of dollars into a power plant in the hopes that CCS technology will be developed,” said Hudgins, director of member and external relations at Old Dominion Electric Cooperative. “Additionally, financial lending institutions will not lend money to construct a plant without a viable technology to demonstrate compliance,” he said. Hudgins testified June 6 at a House Subcommittee on Energy and Environment hearing on environmental regulations, with an emphasis on the costs and benefits of EPA’s new source performance standards for new fossil-fuel power plants. That’s a major matter of concern for Glen Allen, Va.-based ODEC, which serves 11 distribution co-ops in three states. To meet growing demand, it is planning a $5 billion, state-of-the-art baseload plant in southeast Virginia that uses coal and renewable biomass. ODEC has been working on carbon sequestration research, but Hudgins said the technology is unlikely to be commercially viable within a decade, as the agency insists.

### 2AC Politics (Immig/Insert Impact D)

#### Won’t pass – gay rights inclusion

Demirjian 2-7 (Karoun, Obama’s push for gay rights in immigration reform prompts GOP opposition, http://www.lasvegassun.com/news/2013/feb/07/obamas-push-gay-rights-immigration-reform-couple-p/)

When President Barack Obama unveiled his blueprint for immigration reform last week, he largely endorsed the Senate’s approach, with a slight twist: Under Obama’s plan, same-sex couples would be entitled to the same immigration rights as heterosexual couples. The difference caught many social conservatives off-guard, some of whom are now openly wondering why, just when the stars were aligning for comprehensive immigration reform, Obama would throw a monkey wrench into the mix. “He is basically pandering to the community,” said Tibi Ellis, a conservative Nevada lobbyist and advocate for immigration reform. “The argument is not about gender, marriage, or anything. The argument is about how do we revise our current immigration system.”   Since the 2012 election, the immigration reform movement has unprecedented support, thanks to Latino voter turnout. The growing cohort pays close attention to where lawmakers stand on immigration — and in 2012, overwhelmingly supported liberal Democrats over conservative Republicans. Republican lawmakers such as Nevada Sen. Dean Heller, who in the past had exclusively favored enforcement as a solution to illegal immigration, are now vocal in their support for a pathway to citizenship for immigrants who entered the country, unauthorized, as children. Even House Majority Leader Eric Cantor is on board.   But those same Republicans are not leaping to endorse the idea of extending immigration benefits to same-sex couples. “It’s interesting,” Heller said when asked about the provision, adding that he was looking forward to a detailed discussion on many specific points of the immigration reform bill as it was drafted. Where Heller is non-committal, other Republicans say the same-sex marriage provision would be a deal-breaker. “Which is more important, LGBT or border security?” Sen. John McCain, one of four Republican members of a bipartisan group of Senators who unveiled their own immigration framework last week, at a Politico breakfast. “If you’re going to load (immigration reform) up with social issues, that is the best way to derail it, in my view.” Republicans working toward an immigration framework do not seem amenable to the idea either. “I would hope that if the president does try to insert himself (into the immigration discussion), he does so with the purpose of trying to reach a bipartisan solution,” said Republican Rep. Mario Diaz-Balart, who is working with the House bipartisan group on immigration. “I’ve yet to see anything that the president has put forward that has been, frankly, constructive.” The idea that Obama, who oversaw the end of the military’s Don’t Ask Don’t Tell policy, and declared himself to be in favor of legalizing gay marriage in the run-up to the 2012 campaign, is relatively unsurprising.   In the past several months, the Department of Homeland Security has also taken steps to recognize same-sex couples as “family relationships” when determining whether to deport or use administrative discretion in deportation cases. Obama’s immigration would make same-sex relationships equal to heterosexual relationships for family-based visas as well.   But social conservatives who have resisted legalizing gay marriage say giving legal recognition to same-sex couples in the immigration context would be just as incendiary. Several conservative, pro-immigration religious groups — which have sway with social conservatives in Congress — object to Obama’s inclusion of same-sex couples as beneficiaries under immigration reform law.   “It’s like adding fuel to a fire. Immigration itself can be divisive and emotional; you add another national issue that is equally emotional and divisive and it’s a combustible mix,” said Kevin Appleby, director of immigration and refugee policy for the U.S. Conference of Catholic Bishops, one of several religious groups that sent a letter to the White House declaring their opposition last week. “We want an immigration bill, and this will make it harder if not impossible to get an immigration bill.” For conservatives, there’s also a constituent factor to consider: While most registered voters now favor legalizing same-sex marriage, the majority of registered Republican voters still do not.

#### Won’t pass – Judiciary hearing and amnesty provision

Calderon 2/6/13 (Sara Ines, staffwriter, “House GOP Splitting on Immigration Reform” <http://politic365.com/2013/02/06/house-gop-splitting-on-immigration-reform/>)

It was an interesting turn of events, especially given the fact that another faction of the House GOP continued along the hard core, anti-immigration reform road yesterday as well. They characterized a pathway to citizenship for undocumented immigrants as “toxic” and “extreme” while questioning San Antonio Mayor and Democratic surrogate for President Obama in the last campaign Julián Castro during the Judiciary Committee hearing. Representative Robert Goodlatte, the Republican Chair of the House Judiciary Committe, asked if options other than mass deportations and full citizenship would be considered, “Are there options that we should consider between the extremes of mass deportation and a pathway to citizenship for those not lawfully present in the United States?” This question, along with a statement by Congressman Raúl Labrador (R-Idaho) about exploring policy solutions without an insistence on a pathway to citizenship, indicates that the Republicans are attempting to find way toward legalization without full-fledged citizenship. Essentially, while some notable Republicans, like Arizona Senator John McCain, make the case that the GOP needs to change their stance and rhetoric on immigration reform, only some of the leadership and membership of the right wing is willing to make these changes. Other conservatives who have previously supported immigration reform, like McCain, are back on the immigration reform bus in recent weeks, too, specifically Lindsey Graham and Marco Rubio. While Cantor’s capitulation is significant, as he is a party leader and voted against the DREAM Act just a few years ago, it’s going to take more House Republicans to pass any kind of comprehensive immigration bill. There’s also room for caution in Cantor’s changing position, however. Republicans are much more enthusiastic to pass piecemeal reform — such as the DREAM Act and STEM visas — rather than completely overhaul the system. And even when discussion about comprehensive reform comes up, it takes on the character of enforcement and border security.

#### No political capital –

#### A. nominations

Thurlow 2/5/13 (Tom, staffwriter, “Obama’s Political Capital” <http://www.redstate.com/tfthurlow/2013/02/05/obamas-political-capital/>)

But this further confirms my suspicion that President Obama’s brains are the most over-rated to occupy the Oval Office in generations. Take his recent nominations, which are a mess. Last week’s Senate hearings on Senator Hagel’s confirmation as defense secretary were a disaster. Senator McCain pressed Senator Hagel to confirm or deny Hagel’s earlier statement that the Surge in Iraq was “the greatest foreign policy blunder since the Vietnam War.” Senator Ted Cruz pointed out that Senator Hegal, during an interview with the Al Jazeera English network in 2009 had agreed with a questioner who said that the United States appeared and acted like the world’s bully. As Paul Mirengoff at the Powerline Blog wrote, “if he were a Broadway play, Hagel would close after one performance.” There were also a number of past anti-Semitic, or at least anti-Israel statements about which Senator Hagel was questioned. About the only thing about the hearing that was reassuring to those who take national defense seriously was that Hagel bumbled so much he sounded like he may have dementia. Let’s face it, a demented defense secretary may not be as bad as an anti-American defense secretary who is purposefully soft on defense and unconcerned about looming problems with Iran’s nuclear program. Senator Lindsey Graham has threatened a hold on the Hagel nomination, and he should. Not only is a defense secretary an important policy position, but as has been pointed out by Republican critics that in any given foreign crisis, the defense secretary will be one of the few advisors in the room, advising the president. Next up: a nomination battle for a Treasury secretary nominee, Jacob Lew, who has never worked in a bank except as an attorney for Citibank, and has held many different government jobs, most recently President Obama’s chief of staff. Definitely a financial industry lightweight. Lew has also been accused of misleading the public on deficits. About the only thing that stands out about Jacob Lew as Treasury secretary is the fact that his signature — which will appear on all of our currency – looks like a bunch of circles. Oddly enough, it doesn’t appear as if Lew has had any medical training. After that, brace yourself for President Obama’s nominee for director of the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), Todd Jones. Jones is the current acting director of ATF and has been criticized by a local Democratic FBI office director as being politically well-connected but incompetent and soft on gun and violent crime prosecutions. Past presidents have had difficult times in their second terms, but the difficulty is usually with big proposals. President George W. Bush unsuccessfully tried to pass privatization of Social Security and immigration reform in his second term. President Reagan spent his second term solidifying his victory in the Cold War and simplified the tax code, lowering the top marginal tax rate to 28%. Meanwhile, President Obama is trying to get Charles Hagel approved as defense secretary, Jacob Lew at Treasury secretary, and Todd Jones as ATF director, not grand plans by any means. President Obama may get these nominees approved by a majority of senators. But the question is: why is he fighting these particular battles? He could have easily found better qualified nominees for these positions and fought bigger battles on some substantive legislative proposals. Why spend what remaining political capital he has on these problematic appointments? I have a theory, and here goes. As liberal as he is, President Obama prefers to settle scores with his political adversaries even more than getting big liberal proposals passed. There were some clues dropped in the recent campaign. In one speech President Obama told his audience, who booed after Gov. Romney was mentioned, “don’t boo … voting is the best revenge.” This follows a slip he made a couple years earlier when he encouraged Latinos to punish their “enemies,” and when he warned African Americans that a Republican take-over of Congress would mean “hand-to-hand combat up here on Capitol Hill.” These Freudian slips and others show the resentment that President Obama feels towards anyone who opposes him. Opposing ideas are not to be argued against; their proponents are to be personally defeated and the victory noted. Somewhere in his brain the president is keeping score, and he relishes announcing to his opponents, as he did in his first term, “I won.” It is a pettiness that may work out well for the conservative cause. After all, the best way to block any future liberal proposals is to not have them proposed in the first place. The Hagel, Lew and Jones nominations, and the spending of President Obama’s political capital needed to advance these nominations, may be just the ticket to stall any future liberal proposals.

#### B. A123 exemption triggers the link

McConnell 1/30/13 (William, Washington bureau chief, has covered a range of issues critical to the deal community, including antitrust, financial reform and corporate accounting, “CFIUS approval of A123 Systems deal draws critics” <http://www.thedeal.com/content/regulatory/cfius-approval-of-a123-systems-deal-draws-critics.php>)

A number of Washington lawmakers on Tuesday criticized national security regulators for allowing China's Wanxiang Group to acquire bankrupt car battery maker A123 Systems Inc. Wanxiang said it was informed late Monday by the Committee on Foreign Investment in the United States that it may proceed with the transaction. Lawmakers on both sides of the aisle have raised concerns about the sale, which they complained would transfer technology developed with subsidies from U.S. taxpayers to China. A123 filed for bankruptcy in October after having received roughly $130 million in stimulus money from the U.S. Department of Energy to fund its research. Wanxiang's $257 million bid bested one from Milwaukee-based Johnson Controls Inc. Wanxiang tried to blunt criticism of the deal by excluding A123's defense contracts, which were sold separately to Navitas Systems for $2.25 million. There's no avenue for reversing the CFIUS approval, although the outcome might fuel support among lawmakers for legislation that would hamstring companies that have received federal subsidiaries from selling themselves to foreign buyers. Still unknown is whether CFIUS imposed any conditions on the deal to mitigate possible national security threats. Two of the most prominent Capitol Hill critics of the transaction., Sens. John Thune, R-S.D., and Chuck Grassley, R-Iowa, demanded that CFIUS brief them on the decision. "We don't have any answers on whether U.S. national security concerns are protected. The only thing that's clear is a foreign-owned company will benefit from the millions of dollars given to A123 through the president's stimulus package. That's troubling," Grassley said in a statement. Kaye Scholer LLP partner Farhad Jalinous, who represents clients before CFIUS, said the agency almost certainly imposed some conditions. Federal law requires that CFIUS report to Congress on its review but it will not make a public report on the transaction. Wanxiang is under no obligation to make the details public, unless the bankruptcy court requires it. Rep. Marsha Blackburn, R-Tenn., who has written legislation that would require companies receiving research funding from the Department of Energy to report when they are being acquired by a "nonallied" foreign nation, criticized CFIUS's approval. "Just eight days ago, President Obama stated in his inaugural address that 'we cannot cede to other nations the technology that will power new jobs and new industries.' I could not agree more, which is why it disturbs me that the administration would approve the sale of A123 to Wanxiang," Blackburn said. "What's changed in the last week? Actions speak louder than words and this is a clear-cut example of a time when President Obama needs to step in and protect our national security interests. We cannot afford to have technology that is used in our drones and Navy SEAL delivery systems end up in the hands of the Chinese government. Especially as this administration has a new Asia pivot defense policy which will put our special forces units in China's backyard." Other opposing lawmakers have included Sens. Debbie Stabenow and Carl Levin, both Michigan Democrats, who said separating the company's business into military and nonmilitary components might not be feasible.

#### The plan is popular

Orol 12 (Rob, senior writer for The Deal magazine and The Daily Deal newspaper, covering the activist hedge fund industry as well as other topics, including the S.E.C. and Capitol Hill. Orol is the author of the 'Over the Hedge' column, contributor to the 'Rules of the Road' weekly column, and is also a commentator on BBC World Television, CNBC TV, Business News Network and National Public Radio, “Cnooc's big deal for Nexen seen succeeding,” MarketWatch August 16, 2012, lexis)

Lobbyists hired early Also greasing the wheels, Cnooc hired Hill+Knowlton, a prominent lobbying firm in both Ottawa and Washington, to lobby on the Nexen deal. Regulatory observers don't believe the U.K. government will raise any objections to the deal. Fournier noted that North Sea oil production is declining, a situation that is driving the British to attract capital there. He noted that in 2010 a consortium of Chinese firms purchased three U.K. electricity networks with no regulatory opposition, indicating that this deal will also likely pass regulatory muster. “The British are pretty desperate to get new capital invested in the North Sea,” he said. For Clayton, the difference between Unocal and Nexen and between 2005 and 2012 is the economy. “Today's economic context is much more conducive to this type of foreign investment winning support in Washington, even in a politically sensitive sector like oil and gas, than was the case in 2005,” he said. “North American oil production is growing more quickly than any other part of the world and companies from all over the world want in on that action.”

#### Winners win

Dickerson 1/18/13 (John, Slate, Go for the Throat!, www.slate.com/articles/news\_and\_politics/politics/2013/01/barack\_obama\_s\_second\_inaugural\_address\_the\_president\_should\_declare\_war.single.html)

On Monday, President Obama will preside over the grand reopening of his administration. It would be altogether fitting if he stepped to the microphone, looked down the mall, and let out a sigh: so many people expecting so much from a government that appears capable of so little. A second inaugural suggests new beginnings, but this one is being bookended by dead-end debates. Gridlock over the fiscal cliff preceded it and gridlock over the debt limit, sequester, and budget will follow. After the election, the same people are in power in all the branches of government and they don't get along. There's no indication that the president's clashes with House Republicans will end soon. Inaugural speeches are supposed to be huge and stirring. Presidents haul our heroes onstage, from George Washington to Martin Luther King Jr. George W. Bush brought the Liberty Bell. They use history to make greatness and achievements seem like something you can just take down from the shelf. Americans are not stuck in the rut of the day. But this might be too much for Obama’s second inaugural address: After the last four years, how do you call the nation and its elected representatives to common action while standing on the steps of a building where collective action goes to die? That bipartisan bag of tricks has been tried and it didn’t work. People don’t believe it. Congress' approval rating is 14 percent, the lowest in history. In a December Gallup poll, 77 percent of those asked said the way Washington works is doing “serious harm” to the country. The challenge for President Obama’s speech is the challenge of his second term: how to be great when the environment stinks. Enhancing the president’s legacy requires something more than simply the clever application of predictable stratagems. Washington’s partisan rancor, the size of the problems facing government, and the limited amount of time before Obama is a lame duck all point to a single conclusion: The president who came into office speaking in lofty terms about bipartisanship and cooperation can only cement his legacy if he destroys the GOP. If he wants to transform American politics, he must go for the throat. President Obama could, of course, resign himself to tending to the achievements of his first term. He'd make sure health care reform is implemented, nurse the economy back to health, and put the military on a new footing after two wars. But he's more ambitious than that. He ran for president as a one-term senator with no executive experience. In his first term, he pushed for the biggest overhaul of health care possible because, as he told his aides, he wanted to make history. He may already have made it. There's no question that he is already a president of consequence. But there's no sign he's content to ride out the second half of the game in the Barcalounger. He is approaching gun control, climate change, and immigration with wide and excited eyes. He's not going for caretaker. How should the president proceed then, if he wants to be bold? The Barack Obama of the first administration might have approached the task by finding some Republicans to deal with and then start agreeing to some of their demands in hope that he would win some of their votes. It's the traditional approach. Perhaps he could add a good deal more schmoozing with lawmakers, too. That's the old way. He has abandoned that. He doesn't think it will work and he doesn't have the time. As Obama explained in his last press conference, he thinks the Republicans are dead set on opposing him. They cannot be unchained by schmoozing. Even if Obama were wrong about Republican intransigence, other constraints will limit the chance for cooperation. Republican lawmakers worried about primary challenges in 2014 are not going to be willing partners. He probably has at most 18 months before people start dropping the lame-duck label in close proximity to his name. Obama’s only remaining option is to pulverize. Whether he succeeds in passing legislation or not, given his ambitions, his goal should be to delegitimize his opponents. Through a series of clarifying fights over controversial issues, he can force Republicans to either side with their coalition's most extreme elements or cause a rift in the party that will leave it, at least temporarily, in disarray.

#### The plan is guidance not legislation

Jackson 10 (James K. Jackson, CRS Specialist in International Trade and Finance, Foreign Investment, CFIUS, and Homeland Security: An Overview, February 4, http://fpc.state.gov/documents/organization/138597.pdf)

While CFIUS’s activities often seem to be quite opaque, the Committee is not free to establish an independent approach to reviewing foreign investment transactions, but operates under the authority of the President and reflects his attitudes and policies. As a result, any discretion CFIUS uses to review and to investigate foreign investment cases reflects policy guidance from the President. Foreign investors are also constrained by legislation that bars foreign direct investment in such industries as maritime, aircraft, banking, resources and power. 7 Generally, these sectors were closed to foreign investors prior to passage of the Exon-Florio provision in order to prevent public services and public interest activities from falling under foreign control, primarily for national defense purposes.

#### That means no link

Hamilton and Schroeder 1994 [James T. Hamilton is an assistant Professor of Public Policy, Economics and Political Science at Duke University, Christopher H. Schroeder is a Professor of Law at Duke University School of Law “Strategic Regulators and the Choice of Rulemaking Procedures: The Selection of Formal vs. Informal Rules in Regulating Hazardous Waste http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=4229&context=lcp]

3. As the regulatory costs imposed on parties increase, the more likely the parties will resist and, hence, the more likely the agency is to use informal rulemaking. Industry interest groups may attempt to weaken costly formal rules by commenting on them during the formal rulemaking process or by challenging them in court. Similarly, environmentalists may attempt to strengthen provisions through submissions and court challenges. Regulatory costs for industry include expenditures arising from compliance and enforcement actions, while costs for environmentalists may relate to the potential environmental damages posed by the activity regulated. The more at stake for regulated parties and other intervenors, the more likely the agency may be to issue the rule informally. Issuing a costly rule through the informal process has several advantages for the agency: it makes input from interest groups less likely than under the formal process; reduces the ease with which Congress may monitor agency performance and hence lessens the ability of interest groups to "pull the fire alarm" on agency actions; lessens the probability that an interest group will be able to challenge the rule in court as informal rules lack the long administrative records of formally published rules; and enables the agency to alter costs of compliance for particular parties since informal rules may be applied with more discretion than formal rules.

#### Political capital not key to the agenda

Klein 12 (Ezra, citing George Edwards, the director of the Center of Presidential studies at Texas A and M is the editor of Wonkblog and a columnist at the Washington Post, as well as a contributor to MSNBC and Bloomberg. “THE UNPERSUADED” <http://www.newyorker.com/reporting/2012/03/19/120319fa_fact_klein?currentPage=5>)

The Obama Administration was taken by surprise when congressional Republicans turned against the individual mandate in health-care reform; it was the Republicans, after all, who had championed the idea, in 1993, as an alternative to the Clinton initiative. During the next decade, dozens of Senate Republicans co-sponsored health-care plans that included a mandate. Mitt Romney, of course, passed one when he was governor of Massachusetts. In 2007, when Senator Jim DeMint, of South Carolina—now a favorite of the Tea Party—endorsed Romney for President, he cited his health-care plan as a reason for doing so. Senator Orrin Hatch, of Utah, who supported the mandate before he opposed it, shrugs off his party’s change of heart. “We were fighting Hillarycare,” he has said, of the Republicans’ original position. In other words, Clinton polarized Republicans against one health-care proposal, and then Obama turned them against another. Representative Jim Cooper, a Democrat from Tennessee, takes Lee’s thesis even further. “**The more high-profile the communication effort, the less likely it is to succeed**,” he says. “In education reform, I think Obama has done brilliantly, largely because it’s out of the press. But on higher-profile things, like deficit reduction, he’s had a much tougher time.” Edwards’s work suggests that Presidential persuasion isn’t effective with the public. Lee’s work suggests that Presidential persuasion might actually have an ***anti-persuasive effect*** on the opposing party in Congress. And, because our system of government usually requires at least some members of the opposition to work with the President if anything is to get done, that suggests that the President’s attempts at persuasion might have the ***perverse effect of making it harder for him to govern.***

#### **---High tech job market is resilient --- the US is bouncing back hard.**

Drezner 2012

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Let's face it, there's a general anxiety about the future of America. There's Tom Friedman's column today, which my doctors have now forbade me from critiquing in order to keep my blood pressure down. Books suggesting the United States is kowtowing to China are forthcoming. The Economist recently observed on the highlights of a sobering survey of Harvard Business School graduates, which contained the following: Fully 71% of the businesspeople polled expected America’s competitiveness to decline over the next three years. (National competitiveness is a slippery concept: countries do not compete in the same way that firms do. But the businessfolk in question answered some clearer questions, too.) Some 45% said that American firms will find it harder to compete in the global economy. A startling 64% said that American firms will find it harder to pay high wages and benefits. Intriguingly, the Harvard alumni were gloomy about where America is headed, rather than how it is now. Some 57% felt that today the business environment in America is somewhat or much better than the global average; only 15% said it was worse. But when asked to compare its prospects with those of other industrialised economies, only 9% felt that America was pulling ahead; some 21% said it was falling behind. A striking 66% expected America to lose ground to Brazil, India and China; only 8% thought it would pull away from them. This would seem to jibe with popular laments about why Apple can't make its products domestically. There are a lot of reasons, but a significant one is the lack of necessary skills for higher-end manufacturing. This is in no small part because American students shy away from the training necessary to do these kind of jobs even if they originally think they want to be engineers. Why? Because American college students don't like doing homework. So, America is doomed, right? To be honest, this sounds like a lot of pious baloney. As Michael Beckley points out in a new article in International Security, "The United States is not in decline; in fact, it is now wealthier, more innovative, and more militarily powerful compared to China than it was in 1991." The whole article is worth a read, and a good cautionary tale on the dangers of overestimating the ease of national catch-up: The widespread misperception that China is catching up to the United States stems from a number of analytical flaws, the most common of which is the tendency to draw conclusions about the U.S.-China power balance from data that compare China only to its former self. For example, many studies note that the growth rates of China’s per capita income, value added in hightechnology industries, and military spending exceed those of the United States and then conclude that China is catching up. This focus on growth rates, however, obscures China’s decline relative to the United States in all of these categories. China’s growth rates are high because its starting point was low. China is rising, but it is not catching up. What about the future? One could point to the last few months of modestly encouraging economic data, but that's ephemeral. Rather, there are three macrotrends that are worth observing now before (I suspect) they come up in the State of the Union: 1) The United States is successfully deleveraging. As the McKinsey Global Institute notes, the United States is actually doing a relatively good job of slimming down total debt -- i.e., consumer, investor and public debt combined. Sure, public debt has exploded, but as MGI points out, that really is the proper way of doing things after a financial bubble: The deleveraging processes in Sweden and Finland in the 1990s offer relevant lessons today. Both endured credit bubbles and collapses, followed by recession, debt reduction, and eventually a return to robust economic growth. Their experiences and other historical examples show two distinct phases of deleveraging. In the first phase, lasting several years, households, corporations, and financial institutions reduce debt significantly. While this happens, economic growth is negative or minimal and government debt rises. In the second phase of deleveraging, GDP growth rebounds and then government debt is gradually reduced over many years.... As of January 2012, the United States is most closely following the Nordic path towards deleveraging. Debt in the financial sector has fallen back to levels last seen in 2000, before the credit bubble, and the ratio of corporate debt relative to GDP has also fallen. US households have made more progress in debt reduction than other countries, and may have roughly two more years before returning to sustainable levels of debt. Indeed, the deleveraging is impressive enough for even Paul Krugman to start sounding optimistic: the economy is depressed, in large part, because of the housing bust, which immediately suggests the possibility of a virtuous circle: an improving economy leads to a surge in home purchases, which leads to more construction, which strengthens the economy further, and so on. And if you squint hard at recent data, it looks as if something like that may be starting: home sales are up, unemployment claims are down, and builders’ confidence is rising. Furthermore, the chances for a virtuous circle have been rising, because we’ve made significant progress on the debt front. 2) Manufacturing is on the mend. Another positive trend, contra the Harvard Business School and the GOP presidential candidates, is in manufacturing. Some analysts have already predicted a revival in that sector, and now the data appears to be backing up that prediction. The Financial Times' Ed Crooks notes: Plenty of economists and business leaders believe that US manufacturing is entering an upturn that is not just a bounce-back after the recession, but a sign of a longer-term structural improvement. Manufacturing employment has grown faster in the US since the recession than in any other leading developed economy, according to official figures. Productivity growth, subdued wages, the steady decline in the dollar since 2002 and rapid pay inflation in emerging economies have combined to make the US a more attractive location. “Over the past decade, the US has had some huge gains in productivity, and we have seen unit labour costs actually falling,” says Chad Moutray, chief economist at the National Association of Manufacturers. “A lot of our members tell us that it sometimes is cheaper to produce in the US, especially because labour costs are lower.” Now, whether this boom in manufacturing will lead to a corresponding boom in manufacturing employment is much more debatable. Still, as The Atlantic's Adam Davidson concludes: "the still-unfolding story of manufacturing’s transformation is, in many respects, that of our economic age. It’s a story with much good news for the nation as a whole. But it’s also one that is decidedly less inclusive than the story of the 20th century." 3) A predicted decline in energy insecurity. British Petroleum has issued their Energy Outlook for 2030. The Guardian's Richard Wachman provides a useful summary: Growth in shale oil and gas supplies will make the US virtually self-sufficient in energy by 2030, according to a BP report published on Wednesday. In a development with enormous geopolitical implications, the country's dependence on oil imports from potentially volatile countries in the Middle East and elsewhere would disappear, BP said, although Britain and western Europe would still need Gulf supplies. BP's latest energy outlook forecasts a growth in unconventional energy sources, "including US shale oil and gas, Canadian oil sands and Brazilian deepwater, plus a gradual decline in demand, that would see [North America] become almost totally energy self-sufficient" in two decades. BP's chief executive, Bob Dudley, said: "Our report challenges some long-held beliefs. Significant changes in US supply-and-demand prospects, for example, highlight the likelihood that import dependence in what is today's largest energy importer will decline substantially." The report said the volume of oil imports in the US would fall below 1990s levels, largely due to rising domestic shale oil production and ethanol replacing crude. The US would also become a net exporter of natural gas. Note that this will take a while, and doesn't mean that the U.S. will be energy independent. Still, it's quite a trend. Or, rather, trends. Since the Second World War, the pattern in the global political economy has been for the United States to adjust to systemic shocks better than any potential challenger country. A lot of very smart people have predicted that this time was different -- the United States wouldn't be able to do it again. These trends suggest that maybe, just maybe, that might be wrong.

1- No worker shortage – their ev is based on false allegations by corporations.

Gene Nelson, IT professional, “Foreign workers take jobs away from skilled Americans,” 8/21/2008, http://www.numbersusa.com/content/node/1304

Wealthy advocates of H-1B visas have industriously worked to keep this employer-designed program hidden from middle-class Americans, who are outraged when they learn how it harms them. In 2002, Nobel economics laureate Milton Friedman correctly identified the 1990 H-1B visa program as a "government subsidy" because it allows employers access to imported, highly skilled labor at below-market wages. False allegations of worker shortages have been a popular approach. But American colleges and universities graduate four to six times the number of students needed to fill openings in technology fields that are generated by retirements and business expansion.

2- No tech labor shortage

Matloff 2007 /Norm, Professor of Computer Science @ UC Davis, “Fixing Our Badly Broken H-1B Visa and Employer-Sponsored Green Card Programs”, 9-19, http://www.cwalocal4250.org/outsourcing/binarydata/PrevWage.pdf/

The H-1Bs Are not Hired to Remedy a Tech Labor Shortage The constant cry of the industry lobbyists that the tech industry cannot find qualified workers is clearly false: • No government or private study (other than those sponsored by the industry) has ever found a tech labor shortage, including **during** the dot-com boom.4 • In a time of labor shortage, wages skyrocket. Yet starting salaries for new graduates in computer science and electrical engineering, adjusted for inflation, have been falling since Change in Starting Wage major salary change Computer Engineering -12.0% Electrical Engineering -10.2% Psychology -9.3% Sociology -4.1% Computer Science -12.7% Marketing -6.5% Business Administration -5.7% Accounting -2.3% In other words, the salaries reflect that there is a labor surplus, not a shortage. • Since the industry lobbyists claim the industry needs H-1Bs because not enough Americans pursue advanced degrees, I conducted a followup study to the BUSINESSWEEK investigation, analyzing the Master’s degree level.6 The result was that starting salaries for new Master’s degree graduates have been flat or falling too, disproving the industry’s claim of a shortage at the advanced degree level.7 • The study by CEO-turned-academic Vivek Wadhwa is interesting, in that instead of using indirect methods, he actually **asked** employers whether they were having trouble hiring engineers.8 The study found that job offers to applicants were being accepted at high rates and that employers did not see much need to offer hiring bonuses, both of which findings disprove the industry’s labor shortage claim. Wadhwa has made this point numerous times in the press.9 • The engineering areas that use the most H-1Bs are the computer-related fields, i.e. Computer Engineering, Computer Science and Electrical Engineering. As was seen above, salaries for those fields have been falling or flat, disproving a shortage. Additional insight into this can be seen in some interesting data regarding on-campus recruiting by employers, posted by the office of Engineering and Computer Science Career Services at the California State University, Sacramento, for the academic year 2006-2007: Firms Recruiting by Field major # Bach. grads. # Master’s grads. # firms recruiting Civil Eng. 52 17 35 Comp. Eng. 39 1 9 Comp. Sci. 74 54 9 Elec. Eng. 75 77 13 Mech. Eng. 52 16 20 The computer-related fields have the most graduates but the fewest firms recruiting them—a dramatic mismatch. Even allowing for the fact that different firms might be hiring different numbers of people, you can see that there is no shortage of new graduates in the computer fields. The industry lobbyists like to cite low unemployment figures for programmers, but this is highly misleading, because people leave the field when they can’t find work, and thus do not appear in the unemployment data. Bureau of Labor Statistics researcher Carolyn Veneri explained,10 A major drawback in using...unemployment rates in analyses of shortages is that the unemployment rate is calculated based on a person’s last job, rather than the longest job held or occupation in which he or she trained and is actually looking for work. This means an individual with experience as a computer programmer who is seeking a programming job, but who last worked as a cashier, is classified as an unemployed cashier, not an unemployed programmer... Of course, the same is true if the person is currently working as a cashier too.

3- H-1B’s not key

Matloff 2007 /Norm, Professor of Computer Science @ UC Davis, “Fixing Our Badly Broken H-1B Visa and Employer-Sponsored Green Card Programs”, 9-19, http://www.cwalocal4250.org/outsourcing/binarydata/PrevWage.pdf/

4.2 **H-1B Is Mainly NOT About Innovation or Getting “the Best and the Brightest**” 4.2.1 Most H-1Bs Are Ordinary People, Doing OrdinaryWork The industry lobbyists claim that the H-1Bs are “the best and the brightest,” and are needed to keep American firms innovative. Yet the fact is that the vast majority of H-1Bs are ordinary people doing ordinary work: • The CIS study by John Miano11 is highly illuminating. Miano analyzed the H-1B data in terms of the four levels of experience that the Department of Labor uses in determining prevailing wage for foreign workers: Percent of Visas by Experience Level level qualifications percent of visas **I entry 56% II qualified 31%** III experienced 8% IV **fully competent 5%** Fully 56 percent of the workers are rated by their employers as Level I, which is defined by the Department of Labor as “beginning level employees who have only a basic understanding of the occupation [and who] perform routine tasks that require limited, if any, exercise of judgment.” This clearly shows that the H-1Bs are not brought in for innovation. Only 5 percent are rated at Level IV, which consists of workers who “plan and conduct work requiring judgment and the independent evaluation, selection, modification, and application of standard procedures and techniques...” • The tech industry employers give the impression that many of the H-1Bs they hire have PhDs. Yet only 1.6 percent of the computer-related H-1Bs in 1999/2000 had a PhD.12 Moreover, the foreign doctoral students are disproportionately enrolled in the academically weaker universities, as seen here: 13 Percent of Foreign Students by Experience Level department quality % foreign highest quarter 37.2% second quarter 44.5% third quarter 47.5% lowest quarter 50.6% • A recent study has been much cited by industry lobbyists, because it finds that immigrant tech workers have been involved in founding a number of companies and in many projects that were awarded patents.14 However, as confirmed by the lead author, Vivek Wadhwa, the report’s data show that the immigrants have the same rates of entrepreneurship and patenting as the natives do. In other words, the influx from abroad is not bringing “better” engineers to the nation. The industry lobbyists highlight some of the famous immigrant entrepreneurs in the industry, such as Jerry Yang and Sergey Brin, co-founders of Yahoo and Google. Yet neither of them immigrated to the United States as an H-1B visa holder; both came to the United States as minors with their parents, and thus are irrelevant to the H-1B issue. The lobbyists also like to cite Andy Grove, an early Intel employee (and NOT a cofounder), yet he came to the United States as a refugee, not under employer sponsorship. More important, none of these firms has been pivotal to the industry technologically. There are lots of good Web search programs. In fact, Yahoo bought the one it uses, rather than developing its own. Rest assured, we would all still be surfing the Web without Yahoo and Google. And we would have computer chips to enable our surfing too: Although IBM launched Intel to world dominance by choosing the Intel chip for the first IBM PC in 1982, it had lots of other choices. IBM’s engineers preferred the chips by Motorola and NEC, and Bill Gates once called the Intel chip “brain damaged.”

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#### And, they can keep up current production and prices, their evidence is industry drama, well productivity and less bottlenecks prove

Zeits, citing the EIA, 9/3 (Richard Zeits is an Energy industry consultant and investment analyst. His background includes fourteen years as investment banker, portfolio manager and senior investment analyst with bulge bracket firms in New York. Zeits Energy Analytics provide custom industry research, market intelligence, investment analyses and transaction advisory services to investment professionals and industry practitioners. “Latest EIA Data Shows Resilient U.S. Natural Gas Production” http://seekingalpha.com/article/842541-latest-eia-data-shows-resilient-u-s-natural-gas-production)

On Friday, the Energy Information Administration (EIA) released natural gas production statistics for the month of June and revised statistics for May. The report will again disappoint those analysts and industry insiders who have predicted an imminent drop off in US natural gas supply in response to the dramatic decline in gas prices during the first half of the year. In defiance of the sub-$2 NYMEX natural gas lows registered in April and continued steep decline in gas-directed rig count, the Lower 48 States' natural gas production remained essentially unchanged in May and June. The Lower 48 production declined in June from May by an almost negligible 0.18 Bcf/d or 0.2%. The production shut-ins in the Gulf of Mexico due to Tropical Storm Debby largely accounted for the decline. The revised May data shows a slight increase in production from April. The Lower 48 natural gas production remained essentially flat from November last year through June (the latest data available). I argued in my earlier note that the natural gas industry is producing at levels exceeding demand, which is manifest in the strong build-up of storage levels and very high backlog of drilled wells waiting on completion or pipeline connection. The flat production figures indicate that the supply/demand balance was still not achieved in June, despite the highly unattractive economics of the dry gas drilling. The report highlights the continued trend of the Marcellus shale production gradually displacing volumes from less economic regions. The Other States gross withdrawals (the key growth behind which is the Marcellus shale) increased by a remarkable 1.9 Bcf/d during the seven-month period from November last year to June this year. The June numbers indicate that the growth trend continued unabated (Other States gross withdrawals increased by 120 MMcf/d in June and 400 MMcf/d in May).What may come as a surprise is the distinct decline trend in the Wyoming production (which includes the prolific Pinedale and Jonah fields). The Pinedale has been broadly perceived in the industry and among investors as one of the lowest cost fields in the United States. Recent decisions by Ultra Petroleum Corp. (UPL), one of the larger operators in the Pinedale, to significantly reduce its completions activity in the Pinedale may cast doubt on the cost of supply economics from the field relative to other regions. A month ago, I argued in several of my notes that the strong drop off in the natural gas rig count does not readily translate in the decline in the natural gas production. Several factors are contributing: A significant backlog of curtailed or shut in production from earlier in the year that will need to find its way to the market once the injection season is over. Two companies alone, Chesapeake Energy Corporation (CHK) and Encana Corporation (ECA), had estimated combined gross operated production of 1.3-1.4 Bcf/d shut in or curtailed during the first half of the year. Chesapeake has guided that it intends to reverse its production curtailments during the next two quarters, which should lead to its natural gas production peaking before the end of the year at a level that is 12% higher than the company's average production during Q2. A significant inventory of wells waiting on completions or pipeline connections. Some of the backlog is explained by the infrastructure constraints in the growing producing areas such as the Marcellus and the Eagle Ford. As the bottlenecks are being resolved, the backlog wells will gradually come online. Most notably, the excess well inventory also reflects deliberate decisions by operators to defer well completions and tie-ins until the expected price recovery in the second half of the year, effectively creating "rig-independent" supply. Improving well performance and rig productivity. As operators focus on drilling only the very best dry gas wells due to the depressed price environment, production per rig is increasing. Productivity gains from the high-graded rig fleet and pad drilling are another important contributing factor. Rapid growth of liquids-rich and associated gas volumes. The rate of growth from this important source of natural gas supply appears to be underestimated by many Wall Street analysts and industry insiders, same way the volume growth from the Haynesville shale and the Marcellus shale was grossly underestimated just two or three years ago. Looking forward, all these factors will contribute to a delayed and shallower decline in the US natural gas production than may appear. As a result, natural gas prices will likely remain vulnerable to corrections until the massive production backlog from various sources is absorbed. These fundamentals have implications for natural gas producer stocks that as a group appear to price in a meaningful recovery in natural gas prices. While in the longer run a return to more economic natural gas price levels is inevitable, the recovery may not be as imminent as often predicted. This fundamental dynamic is most relevant to stocks with natural gas focus and high financial leverage.

#### Won’t cut back – use it or lose it.

Tverberg 3/23/12 (Gail, an actuary interested in finite world issues - oil depletion, natural gas depletion, water shortages, and climate change. The financial system is also likely to be affected. “Why US natural gas prices are so low – Are changes needed?” <http://ourfiniteworld.com/2012/03/23/why-us-natural-gas-prices-are-so-low-are-changes-needed/>)

3. Supply doesn’t drop quickly. Natural gas supply (Figure 5, above) does not drop very quickly when prices drop too low because long lead times and large investment is needed to bring supply on-line. Natural gas producers have debt to service and are often faced with “use it or lose it” leases, so [and] are hesitant to stop, for fear of not being able to make use of their investment. A decline in price may be hedged, so the producer does not feel the effect as quickly as otherwise, and take appropriate action. Profitability of individual wells is based on estimates of long-term future production and future costs–things which are not at all certain. Some small producers may not even be aware of how unprofitable current prices really are. There is also the issue of large oil and gas companies having difficulty “replacing their oil reserves,” and needing natural gas reserves to substitute for oil reserves. These large oil companies are willing to buy natural gas companies, even if the cost would seem to be far too high, given recent prices. These willing buyers allow production to keep expanding, creating a greater over-supply situation before a shake-out occurs.

#### Low prices won’t deter production

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Oil and gas companies will claim that natural gas is getting too cheap to keep drilling. Yet as prices have dropped, natural gas production has risen and consumption has followed. In the first few months of this year, there was a nine percent increase in American production of natural gas compared to last year.

### Trade

#### And, recent official statements prove these investment restrictions are a critical issue in the relationship.

Xu et al 12 (Ting, with Thieß Petersen and Tianlong Wang, Cash in Hand: Chinese Foreign Direct Investment in the U.S. and Germany, June, http://www.bfna.org/sites/default/files/publications/Cash%20In%20Hand.pdf)

Many U.S. experts recognize the potentially enormous future benefit from growing Chinese FDI to the country’s economy. Some blame U.S. political interference in the FDI screening process as attempts to protect special interests from economic competition or to pursue a “Fortress America” vision of national security, and they believe a more open and political influence-free environment needs to be created to encourage Chinese FDI (Rosen and Hanemann 2011). Others see the growing Chinese FDI as a necessary and beneficial step for the U.S. to be able to demand reciprocity of openness from China for U.S. FDI (Graham and Marchick 2006, 130) Meanwhile, extensive media coverage of problems encountered by some Chinese companies investing in the U.S. has led many in China to believe that Chinese investment is not particularly welcomed. The controversy has been so hyped that it became one of the key discussion points during top-level bilateral meetings. During the U.S.-China Security and Economic Dialogue in 2011, Chinese official made a point of asking the U.S. to welcome Chinese investment and in particular, to treat the SOEs equally. 4

### Ozone

**No ozone**

**Leslie 96** (John, is a philosopher who focuses on explaining existence. “T H E E N D O F T H E WORLD” Pg 145, Donnie)

Ozone layer destruction, greenhouse warming, the pollution crisis, the exhaustion of farmlands and the loss of biodiversity all threaten to cause immense misery. Yet they too might well appear unlikely to wipe out the entire human race, particularly since people could take refuge in artificial biospheres. Now, a few surviving thousands would probably be a sufficient base from which new billions could grow. The same can probably be said of global nuclear warfare. Artificial biospheres could maintain the human race if the remainder of the planetary surface became uninhabitable. Advances in nanotechnology might be very perilous. However, there is every hope that they wouldn’t be made before humans had moved far enough towards a single world government to be able to insist on safeguards. Furthermore, colonization of the entire solar system, and perhaps even of other star systems, would probably be progressing speedily when the nanotechnological revolution arrived—so that, once again, destruction of all humans on Earth wouldn’t mean the end of humans as a species.

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