**Remittances Disadvantage Answers**

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**Glossary**

**Gross Domestic Product** (GDP) – the value of all legal goods and services created by a country within a year.

**NAFTA –** A trade agreement between Canada, Mexico, and the United States that is controversial for eliminating taxes on corn from the US in Mexico. The eliminating of a tax on imported corn (aka a tariff), made corn, which is made cheap through government support in the US, even cheaper than Mexican corn, destroying the ability of small, Mexican farmers to make a living.

**Remittance –** refers to the money that immigrants send back to their home country.

**Standards of Living –** this term refers to how comfortably a population is perceived as living. For instance if people in country X have access to fresh food and water, affordable housing, and quality health care and education then many people would say that people in country X have a high standard of living. On the other hand, if people in country Y were eating but, access to quality food was unstable and very few people had access to an education beyond the 8th grade many would consider this a lower standard of living. As this term only refers to material wealth it is often considered a subjective term, open to a variety of interpretations.

**World Bank –** an international organization that gives loans to country’s with the goal of reducing poverty.

**Remittances Falling Now**

**[ ] Remittances are continuing to decline**

**EFE, Spanish language news agency, 2013**

(Leading Spanish language news agency and the fourth largest news agency in the world.“Remittances to Mexico fall over 13 pct in May” July 1, 2013.<http://www.laprensasa.com/309_america-in-english/2116540_remittances-to-mexico-fall-over-13-pct-in-may.html>) VP

Mexico City, Jul 1 (EFE).- **Remittances sent by Mexicans living abroad fell 13.2 percent** to $2.03 billion in May, **compared to** the same month **in 2012, the Bank of Mexico said Monday**.¶**May marked the 11th consecutive month that remittances have fallen,** the central bank said.¶ The average remittance totaled $286.81 in May, down from the $329.81 registered in May 2012, the central bank said in its monthly report.¶ A total of 7.1 million transactions, the majority of them electronic funds transfers, were registered in May, the Bank of Mexico said.¶**Remittances** totaled $22.44 billion **in 2012, down 1.57 percent from 2011.**¶ Remittances sent by Mexicans living abroad are the country's second-largest source of foreign exchange and help cover the living expenses of millions of people.

**Remittances Falling Now- Extensions**

**[ ]**

**[ ] Remittances and immigration are low**

**Villagran, Smart Planet Correspondent Mexico City, 2013**

(Lauren , February 27, 2013, “Slow U.S. growth, zero immigration hurt remittances to Mexico”, www.smartplanet.com/blog/global-observer/slow-us-growth-zero-immigration-hurt-remittances-to-mexico/9904)

**The U.S. recession, then slow U.S. economic growth over the past two years, plus tighter border security and anti-immigrant laws at the state level have conspired to either drive immigrants back to Mexico** or convince people here to sit tight. **Deportations have increased as well**. **Meanwhile, drug violence along the border and cartels’ targeting of migrants has also deterred immigration north.** **Together those trends have put a dent in the dollars Mexicans wire home.**

**Both remittances and foreign direct investment are well off the highs reached before the recession**, $26 billion in 2007 and $27 billion in 2008, respectively.

**The cash sent back to Mexican families totaled just $22.4 billion in 2012, down 1.6 percent in dollar terms from the previous year** (partly due to an appreciating peso), or up less than 1 percent in pesos adjusted for inflation. By comparison, foreign direct investment last year isn’t likely to reach the $20 billion mark, compared with $20.4 billion a year earlier. **In Latin America’s second-largest economy, income from remittances ranks just below what Mexico earns from petroleum, tourism and the automotive industry –- yet remittances account for only 2.3 percent of the GDP.**

“**The effect of remittances is felt mainly in the homes that receive them**,” said Juan Luis Ordaz Diaz, senior economist with BBVA Bancomer. “They’re a salary for those homes –- probably larger than the salary they would receive here.”

**In other words, according to Ordaz Diaz, remittances don’t have the power to sway the Mexican economy on their own.** Their real impact on the Mexican economy comes in terms of consumption, he said. Nearly 1.4 million families in Mexico depend heavily on what their relatives earn in the U.S.; the average remittance is about $290 per month.

**Immigration not key to Remittances**

[]

**[ ] Migration rates not linked to remittances, a number of factors dictate how much money is sent back to Mexico, for example where is an immigrants family located.**

**Cortina and Ochoa-Reza, , Dept of Poli Sci at U of Houston and Facultad de Derecho UNAM, 2008**

(Jeronimo Enrique, Facultad de Derecho UNAM, "More Migration and Less Remittances?",[policydialogue.org/files/events/Cortina\_Ochoa-Reza\_More\_Migration\_Less\_Remittances.pdf](http://policydialogue.org/files/events/Cortina_Ochoa-Reza_More_Migration_Less_Remittances.pdf" \t "_blank))

Conventional wisdom argues that the relationship between migration and

remittances is positive and reinforcing. The basic idea is that as the number of

migrants in a host country in period one grows, the level of remittances sent to

the home country will increase in period two, ceteris paribus. Likewise, as the

level of remittances received in the home country increases in period two, the

level of migration to the host country will increase in period three. These

phenomena could be summarized in a nutshell as "more migration, more

remittances". Although there is substantial evidence to prove that this dynamic

is true, **we will argue in this paper that the relationship between migration and**

**remittances is not always positive and could be negative depending on**

**demographic, banking and immigration policies that are seldom analyzed**

**comprehensively by scholars or policy makers. In this paper we will present**

**evidence to show that an obvious factor molding the relationship between**

**migration and remittances is the demographic composition of the migratory**

**flow, which could be an unintended byproduct of immigration policies in host**

**countries. A migration flow of children and women, following family**

**reunification policies, will potentially lead to a significant reduction of both the**

**supply and demand of remittances. As the money will now stay in the host**

**country, this will result in a counterintuitive dynamic: more migration, but fewer**

**remittances. In short, remitters will become savers.** In order to show how this

dynamic operates we will analyze the case of Turkish and Polish migration to

Germany and of Mexican migration to the United States.

**Remittances Hurt Mexican Economy- Dutch Disease**

**[ ] Dutch disease- easy money from remittances prevents long term investments in building the economy**

**Yu, undergraduate student at the University of Alberta. 2013**

(Tim, “The Significance of the U.S.-Mexican Remittance Corridor”, —Progressive Economics Forum Student Essay Contest May 3, 2013, <http://www.progressive-economics.ca/wp-content/uploads/2013/06/Yu-Essay.pdf>, Callahan)

Dutch Disease’ and Remittance Transfers: **The large and sustained inflow of remittances has fuelled speculation about whether a remittance-driven appreciation in real exchange rates could emerge**. Empirical evidence from the World Bank (2009) has suggested that **a positive relationship between remittances and real exchange rate appreciations could exist**. **Changes in the equilibrium exchange rate have had several effects on the distributional impacts of remittance inflows, comparative competitiveness of the traded and non-traded good sector, and long-term economic development via ‘Dutch Disease’ effects**.119 If ‘Dutch Disease’ is found to be present, it could indicate that **the short-term effects of remittance inflows may come at the expense of reduced long-term economic growth, particularly in the manufacturing and traded good sectors**. Other economists, however, have sought to downplay such fears about a remittance-driven ‘Dutch Disease’ in recipient countries. DilipRatha argues that ‘Dutch Disease’ effects of remittance inflows are unlikely to have similar effects as natural resource windfalls.120 This has been supported in a separate study on eleven remittance-receiving countries conducted, which found that higher remittance receipts was not linked to slower economic growth or ‘Dutch Disease’ effects in the manufacturing sector.121

**Remittances Hurt Economy- Moral Hazard**

**[ ] Remittances create a moral hazard that reduces the need to enact policy reforms in Mexico to fix the real problems in the economy.**

**Yu, undergraduate student at the University of Alberta. 2013**

(Tim, “The Significance of the U.S.-Mexican Remittance Corridor”, —Progressive Economics Forum Student Essay Contest May 3, 2013, <http://www.progressive-economics.ca/wp-content/uploads/2013/06/Yu-Essay.pdf>, Callahan)

Governance Issues: **Several scholars have suggested that remittances could pose the moral problem of reducing government incentives to enact policy reforms**.122 **Compensatory remittances** have the ability to help offset adverse economic shocks, but **may postpone** (**or**, even worse, **discourage**) **policies that could be crucial to longterm growth.123 Remittances that behave ‘counter-cyclically’ could have the effect of reducing the political will amongst Mexican households to pressure governments to facilitate necessary investments in public and physical infrastructure, or ensuring tighter controls over fiscal discipline**.124 By serving as a ‘buffer’ between recipient households and the governments that serve them, **remittances can delay much-needed reforms by not only reducing public pressure, but also decreasing the likelihood of a political crisis that would make such reforms mandatory**. Government initiatives, such as the ‘3x1’ Program, therefore, may be altruistic and well-meaning in nature, but could encourage poor fiscal discipline and divert attention away from more pressing issues.

**Remittances Hurt Economy- Labor Disincentives**

**[ ] Labor disincentives- remittances will reduce the incentive for many to find jobs or invest wisely with easy money coming from America.**

**Yu, undergraduate student at the University of Alberta. 2013**

(Tim, “The Significance of the U.S.-Mexican Remittance Corridor”, —Progressive Economics Forum Student Essay Contest May 3, 2013, <http://www.progressive-economics.ca/wp-content/uploads/2013/06/Yu-Essay.pdf>, Callahan)

Labour Disincentives: **Remittance inflows can have the adverse effect of reducing labour incentives amongst recipient households.** As Ratha writes in a separate article for The Economist, “**there may also be an economic cost associated with reliance on remittances**. Like any unearned wealth, **they may foster idleness among those who benefit**.”125 **The net effectiveness of remittance receipts can be offset by household labour decisions**, particularly **if** remittance-**recipients decide to: (1) reduce their labour market effort, due to a reduced desire to work; or, (2) make poor investments (i.e., spending funds in areas that would normally invested towards subsistence needs) and depending upon remittances as a primary source of income.**126 **This may result in** Yu 30 **lower productivity levels, and lead to a reduction in the available labour supply** within local communities in Mexico.

**Remittances Hurt Economy- Labor Disincentives- Extension**

**[ ] Remittances can reduce labor and make consumption more expensive long term.**

**Canas et al, business economist at the Federal Reserve Bank of Dallas, 2012**

(Jesus, “The Vulnerability of Mexican Temporary Workers in the United States with H-2 Visas” from *Migration and Remittances from Mexico: Trends, Impacts, and New Challenges* edited by Alfredo Cuecuecha and Carla Pederzini, 2012.) VP

**On the downside, remittance-receiving households may reduce their labor**¶ **supply because they now have a source of funds other than their own labor**¶ **income**, hence they can consume more leisure. **Remittance inflows** and the¶ associated higher consumption levels **can lead to priceincreases and exchange**¶ **rate movements that further undo some of the positive economic effects**.¶ Such price and exchange rate changes **affect consumption** not only among¶ households that receive remittances but also among those who do not. **Remit-**¶**tances can exacerbate income inequality by widening' gaps between those**¶ **households that receive funds and those who do not**. Income inequality may¶ be ameliorated, however, if remittances lead to improvements in employment¶ and earnings among non-recipient households. Whether remittances boost economic development on net thus depends on a host of factors. In addition, **short-run effects may differ from long-run effects.**

**Remittances Cause Human Trafficking (1/3)**

**[ ] Remittances in unstable areas are used to fund human trafficking.**

**Financial Action Task Force, 2010**

(Inter-governmental body developing policies to combat money laundering and terrorist financing. “Money Laundering through Money Remittance and Currency Exchange Providers” June 2010. <http://www.fatfafi.org/media/fatf/ML%20through%20> Remittance%20and%20Currency%20Exchange%20Providers.pdf) VP

**Note: MR=Money Remittance**

**MR services** offer widespread and legitimate services to immigrants. They serve the ¶ unbanked, provide a convenient, efficient and cost-effective means **to send money** to an immigrant’s ¶ home country and often **can reach** remote **areas** and locations **beset by political instability** that are ¶ otherwise outside the networks of the international banking system. However, **investigations in some ¶ countries have shown that the services provided by some MR businesses have also been linked to ¶ human trafficking and the repayment of “human trafficking agents”. As an example, in certain ¶ trafficking cases, money remittance providers have been used to pay mules, intermediaries, airplane ¶ tickets, etc.**

**Remittances Cause Human Trafficking (2/3)**

**[ ] Trafficking enables all aspects of terrorism**

**Keefer, Colonel U.S. Army War College, 2006**

(Sandra, “HUMAN TRAFFICKING AND THE IMPACT ON NATIONAL SECURITY FOR THEUNITED STATES.” <http://www.dtic.mil/cgibin/GetTRDoc?Location=U2&doc>= GetTRDoc.pdf &AD =ADA448573)

**Is there a link between terrorism and human trafficking?** According to Christine Dolan, panelist at the recent “Terrorism Nexus” seminar hosted by The World Affairs Council of Washington, DC, **the answer is a definitive, yes.**14

Trafficking and terrorism are linked. **Terrorists use the transportation networks of smugglers and traffickers to move operatives**. In many parts of the world, profits from drug trading provide funds for terrorism, and in certain regions of the world trafficking is a large and significant component of that economy. Examples of this include the Balkans, Southeast Asia, Philippines and parts of the former Soviet Union. In the Balkans, trafficking is a major source of profits for organized crime groups which have links to terrorists. In Southeast Asia and the Philippines, **trafficking is significant enabling potential terrorists to move their money easily through the channels of the illicit economy**. 15 The national and international enforcement environment changed significantly after the September 11, 2001 attacks. **Today the conditions could be right for terrorist and human smugglers to join forces.** Emphasis is now being placed on targeting alien smuggling organizations that present threats to our national security. **This emphasis recognizes that terrorists and their associates are likely to align themselves with specific alien smuggling networks to obtain undetected entry into the United States.** Three factors have created an environment in which terrorists and smuggling enterprises may combine their criminal efforts to pose a significant national and international threat. These factors include the fact that the criminal organizations involved are growing in volume and sophistication; and those same organizations’ developing the ability to exploit public corruption; and lax immigration controls in source and transit countries.16

**Remittances Cause Human Trafficking- (3/3)**

**[ ] Remittances are used to finance human trafficking and other criminal activities.**

**Financial Action Task Force, 2011**

(, Inter-governmental body developing and promoting policies to combat money laundering and terrorist financing. “Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants” July 2011. http://www.fatf-gafi.org/media/fatf/documents/reports/Trafficking%20in%20Human%20Beings%20and%20Smuggling%20of%20Migrants.pdf) VP **Note: THB-Trafficking in Human Beings, SOM-Smuggling of Migrants** **Criminals involved in THB and the SOM are primarily using cash transfers** both directly and ¶ through the use of cash to acquire goods and services. From the evidence obtained and also according to ¶ the OSCE report “Analysing the Business Model of Trafficking in Human Beings to Better Prevent the ¶ Crime” reviewed, three **patterns emerge on THB** that could be applied to SOM:¶ **money sent back to the country of origin of the traffickers** where it is often invested in legal ¶ businesses such as restaurants, bars, or properties such as apartments or houses;¶ money used both in the country of origin and the country of destination to support a lavish ¶ lifestyle for those involved;¶ money invested in other criminal or legitimate activities in the destination country.¶ 139. **Because of the predominance of cash handling/transactions those involved are great users of:¶** money service businesses (**money remitters**);¶ cash couriers;¶ hawala (informal banking system);¶ cash based activities (e.g., mobile phone selling);¶ cash converter activities (e.g., casinos).¶ 140. Although the information obtained from the private sector was limited in extent, and the NGO Stop ¶ the Traffik is working with the sector to raise the profile of THB and SOM, **financial activity unusual for ¶ the business types has been used to identify human trafficking activity** (e.g., multiple ongoing payments to ¶ internet classified advertising services).¶ 4. To inform law enforcement agencies on the laundering of funds coming from human ¶ trafficking/smuggling¶ 140. Conclusions from the answers to the questionnaire were that information relating to **ML aris**ing**¶ from human trafficking** or migrant smuggling is often generated from operational investigations. What ¶ is clear however is that to-date the focus has been much more on the crimes themselves and not on the ¶ laundering of the proceeds of those crimes141. From the literature and the case studies there is **evidence of links between human trafficking**, ¶**the smuggling of migrants and other forms of organised crime.Those being trafficked are often used ¶ as drug couriers.There are also identified links between the proceeds of THB and SOM with corruption ¶ and terrorist financing**. Information provided at the Cape Town workshop by GIABA showed that in West ¶ Africa, there is often a link between THB/SOM and corruption, and information provided in respect of the ¶ activities of terrorist organisations in Ireland linked THB/SOM to terrorist financing.

**Answers to: Mexican Economy Impact---Alternate Causalities**

**[ ] Alternate causalites – labor reforms – those are critical to the productivity of Mexico’s economy**

**Ringley, Young Leaders Program at The Heritage Foundation, 2013**

[Drew, “Mexico Poised to become an ‘Aztec Tiger’,”, 2/19/13, http://blog.heritage.org/2013/02/19/mexico-poised-to-become-an-aztec-tiger/]

It is long overdue. According to the 2013 Index of Economic Freedom, published by The Heritage Foundation and The Wall Street Journal, **Mexico ranks below the world average in labor freedom**, **and Mexico’s powerful special interests have made sure previous reforms were watered-down and ineffective.**As the Index notes, **an inflexible labor code makes it difficult for employers to terminate employees** who, for whatever reasons, **are not cutting it at work. The result: lower productivity and reduced profit margins for firms to sustain themselves during tough times.** Mexico’s teachers union—the largest in Latin America with nearly 650,000 members—provides an example of how entrenched special interests create these inefficiencies. **The union promotes teachers based on loyalty and seniority—not merit. The Mexican labor code also fails to hold educators accountable for the quality of their instruction.** In the end, these policies only hurt the students that educators say they are trying to help.

**Answers to: US-Mexico Relations (1/2)**

**[ ]**

**[ ] Relations are high now**

**Guilamo-Ramos, Director, Doctoral Program at NYU School of Social Work, 2013**

(Vincent , 5/28, , "The U.S. and Mexico Have Much to Learn from Each Other", [www.huffingtonpost.com/vincent-guilamoramos/us-mexico-relations\_b\_3347068.html](http://www.huffingtonpost.com/vincent-guilamoramos/us-mexico-relations_b_3347068.html))

Barack **Obama's recent visit to Mexico, the fourth of his presidency, represented an important, deliberate attempt to shift the focus of Mexico-U.S. relations from security to economic improvement.But it also represented much more -- a chance to allay the public's profoundly negative conceptions of Mexico by shifting the conversation to education, labor, environment, and other human-scale issues that are truly vital to the future of both countries. While much media coverage focuses on Mexican immigration battles, drug wars and narco-trafficking, the relationship between the U.S. and Mexico has been evolving in complex and positive ways.That is really not so surprising when one considers that the Latino population in the U.S. surpassed 50 million not too long ago, and people of Mexican ancestry account for more than 60 percent of this total. Mexico's economy and middle class are growing. And there is Obama's pivotal "100,000 Strong in the Americas" initiative, launched in 2011 to expand study-abroad exchange opportunities between the U.S. and Latin America. Increasing student exchange, and building understanding through higher education, offers at least the potential to help offset the tarnished public perception of bilateral relations. Not incidentally, this cross-border tradition contributes heavily to both countries' economies**.

**Answers to: US-Mexico Relations (2/2)**

**[ ] The environment is resilient and can recover from pollution quickly without human intervention.**

**McDermott, reporter citing research done at the Yale University School of Forestry and Environmental Science, 2009**

(Matt, Tree Hugger.Com,” Good news: most ecosystems can recover in one lifetime from human induced or natural disturbance”, http://www.treehugger.com/files/2009/05/most-ecosystems-can-recover-from-disturbance-in-one-lifetime.php)

**There's a reason the phrase "let nature take its course" exists:** **New research done at the** [**Yale University School of Forestry & Environmental Science**](http://environment.yale.edu/) **reinforces the idea that ecosystems are quiet resilient and can rebound from pollution and environmental degradation.** Published in the journal PLoS ONE, **the study shows that most damaged ecosystems worldwide can recover within a single lifetime,** if the source of pollution is removed and restoration work done: Forests Take Longest of Ecosystems Studied The analysis found that on average forest ecosystems can recover in 42 years, while in takes only about 10 years for the ocean bottom to recover. If an area has seen multiple, interactive disturbances, it can take on average 56 years for recovery. In general, most ecosystems take longer to recover from human-induced disturbances than from natural events, such as hurricanes. To reach these recovery averages**, the researchers looked at data from peer-reviewed studies over the past 100 years on the rate of ecosystem recovery** once the source of pollution was removed. Interestingly, the researchers found that it appears that the rate at which an ecosystem recovers may be independent of its degraded condition: Aquatic systems may recover more quickly than, say, a forest, because the species and organisms that live in that ecosystem turn over more rapidly than in the forest.