### Contention One is Economic Crisis

#### The Federal Reserve’s decision to continue quantitative easing was a reprieve for Mexico, but speculation over the taper creates endless volatility for the peso as markets expect investment outflows from Mexico to the US: a major decline is inevitable.

Reuters 9/18

Michael O'Boyle and Asher Levine MEXICO CITY/SAO PAULO, Sept 18 <http://www.reuters.com/article/2013/09/18/markets-latam-idUSL2N0HE2JD20130918>

Latin American currencies, stocks and bonds soared on Wednesday after the U.S

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which in turn means less inflation and less need for higher interest rates."

#### Mexico has asked for help dealing with consequences of tapering but the Fed rebuffed them. Plan is necessary to avoid a repeat of the financial crisis.

Bloomberg News 8/26

“Federal Reserve won’t consider problems abroad” <http://www.bostonglobe.com/business/2013/08/25/fed-officials-reject-calls-for-coordination/bW6J24GiaTCqb8bJsAkleO/story.html>

LONDON — Federal Reserve officials have rebuffed international calls to take the threat of fallout

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proposed ‘‘further lines of defense,’’ such as currency swap lines.

#### Fed communication failures mean actual policy is irrelevant—lack of trust in the Fed locks in risk of economic contagion

Summers 7/3, Nick Summers, covers Wall Street and finance for Bloomberg Businessweek, “Fed Spreads Confusion With Efforts to 'Clarify' Bernanke's Remarks”, Bloomberg, July 03, 2013, <http://www.businessweek.com/articles/2013-07-03/fed-spreads-confusion-with-efforts-to-clarify-bernankes-remarks>)

Greenspan’s successor, Ben Bernanke, has pushed the central bank and its members to

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“And once again, those problems will be of its own making.”

#### Mexico’s only solution is worse than the problem—intervention via higher interest rates backfires disrupt the bond market and crushes Latin American liquidity

-US interest rates rising

-Triggers Mexican peso devaluation, triggers capital controls (internal link)

LF 7/2/13—staff writer citing multiple emerging market economists, “Prep for Extended Volatility, warn experts”, Latin Finance, 7/2/13, http://www.latinfinance.com/Article/3226264/Prep-for-extended-volatility-warn-experts.html?ArticleId=3226264)

Latin ﬁnancial markets must dig in for an extended period of volatility as policymakers grapple

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fall, trading at 12.96 pesos to the dollar on Tuesday.

### Scenario One

#### Mexican economic growth and ties with the US are critical to Nieto’s strategy for defeating drug cartels

Gonzalez 12

Daniel, *The Arizona Republic*, Dec 15, <http://www.azcentral.com/news/articles/20121206mexico-president-cartels-strategy.html>

Mexico’s newly elected president, Enrique Peña Nieto, took office this month promising a

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to Mexico is very unsafe or somewhat unsafe, according to the survey.

#### Mexican drug networks fund Afghanistan cartels

Holt 11

staff writer at the New American, citing Edgardo Buscaglia, investigator and fellow at the Autonomous Technological Institute of Mexico (Kelly, “Mexican Cartels Buy Afghan Heroin — Drug Wars Claim 507 in 14 Days,” The New American,” 18 January 2011, http://www.thenewamerican.com/world-news/north-america/item/10622-mexican-cartels-buy-afghan-heroin-%E2%80%94-drug-wars-claim-507-in-14-days)

According to Borderland Beat (BB) Jan. 5, Mexican drug cartels have

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is out of the question, it really just depends on the region.

#### That leads to Afghanistan instability

Inkster 12

(Nigel, Director of Transnational Threats and Political Risk at the International Institute for Strategic Studies, “Drugs: A war lost in Afghanistan”, Foreign Policy, 5/29/2012, http://afpak.foreignpolicy.com/posts/2012/05/29/drugs\_a\_war\_lost\_in\_afghanistan, JKahn)

The May 20 NATO summit in Chicago was dominated by the issue of Afghanistan.

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income, opium production has come to provide for up to half a milli

on Afghan households. The poppy is a hardy, drought-resistant plant,

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inhabits and looked at in the wider context of international security and development.

#### Afghan instability goes nuclear – Indo-Pak tensions and Iran

Rubin 11

(Joel, Director of Policy and Government Affairs, Ploughshares Fund, former congressional aide and diplomat, fellow at the State Department in both Near Eastern Affairs and Political-Military Affairs, Master’s degree in Public Policy and Business Administration from Carnegie Mellon University and a Bachelor’s degree in Politics from Brandeis University, Huffington Post, 77/2011, http://www.huffingtonpost.com/joel-rubin/middle-east-nuclear-threat\_b\_891178.html, JKahn)

The national security calculus of keeping U.S. forces in Afghanistan has shifted

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has the greatest risk of arms races and nuclear conflict in the world.

### Scenario Two

#### Empirically American fiscal policy can cause currency crises in Mexico which spread internationally—internal link is hair-trigger and instant

Johnson 9/5

Simon, former chief economist of the International Monetary Fund, Ronald A. Kurtz Professor of Entrepreneurship at the M.I.T. Sloan School of Management. NYTimes Economix Blog <http://economix.blogs.nytimes.com/2013/09/05/the-next-emerging-market-crisis/?hp&_r=0>

Most financial crises begin with one weak country and then spread as investors re-

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DataMapper for growth numbers and watch how it changes color as forecasts change.)

#### A new financial crisis would result in World War 3—US lashes out against Iran, causing China and Russia intervention.

**Hamer 10** 3/6, \*Prof Dr. Eberhard Hamer writes for Current Concerns, “Increasing Indications for a Third World War,” http://www.currentconcerns.ch/index.php?id=1012, AJ

Due to the fact that the US has assumed the bank debts and added them

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drawn into a Third World War or if we can escape this danger.

#### **Broad studies prove our argument**

Royal, ‘10 [2010, Jedediah Royal is the Director of Cooperative Threat Reduction at the U.S. Department of Defense, “Economic Integration, Economic Signaling and the Problem of Economic Crises, Economics of War and Peace: Economic, Legal and Political Perspectives”, ed. By Goldsmith and Brauer, p. 213-215]

Less intuitive is how periods of economic decline may increase the likelihood of external conflict

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such, the view presented here should be considered ancillary to those views.

### Scenario Three

#### Additionally, systemically important global banks are on the brink—current devaluation makes growth unsustainable and accesses an internal link to the global economy

Griffin 6/11, Donald Griffin, reporter for Bloomberg News , “Citigroup Facing $7 Billion Hit on Dollar Gain, Peabody Says”, Bloomberg, 6/11/13, http://www.businessweek.com/news/2013-06-11/citigroup-facing-7-billion-currency-hit-on-dollar-peabody-says#p3)

Last June, Peabody said Citigroup’s currency losses could reach $3 billion to $

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unaware and is likely to prove to be more detrimental than currently anticipated.”

#### Global warming is real, anthropogenic, and on the brink of drastic and irreversible warming. Healthy banking sector is critical to political will and financing tech to solve.

Reynolds 8/20

Owen, Economist at the Federal Energy Regulatory Commission, “In defense of the financial industry: stocking up to end climate change” http://news.mongabay.com/2013/0820-reynolds-finance-climate.html#2FI2cHs4THkqHBGv.99

On a cross-country bus trip

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same lush landscape. There is a way to ensure that she can, but the projects need to be financed.

#### **Warming causes extinction of every species**

Cahill ’12

[10/17/12,Abigail E. Cahill, Matthew E. Aiello-Lammens, M. Caitlin Fisher-Reid, Xia Hua, Caitlin J. Karanewsky, Hae Yeong Ryu, Gena C. Sbeglia, Fabrizio Spagnolo, John B. Waldron, Omar Warsi and John J. Wiens. “How does climate change cause extinction,” http://life.bio.sunysb.edu/ee/wienslab/wienspdfs/2012/Cahill\_et\_al\_2012\_PRSL.pdf]

PROXIMATE FACTORS CAUSING EXTINCTION FROM CLIMATE CHANGE We brieﬂy review and categorize the diverse proximate

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or positive impacts on the species that are interacting with the focal species.

#### **Global warming is real, caused by human CO2 emissions, and will cause flooding and feedback loops that causes population migrations fueling political instability, economic collapse, and failed states, escalating to nuclear war in a vicious cycle to extinction**

Kaku 11

Michio Kaku, Henry Semat Chair and Professorship in theoretical physics at the City College of New York “Physics of the Future” http://213.55.83.52/ebooks/physics/Physics%20of%20the%20Future.pdf Accessed 6/26/12 BJM

By midcentury, the full impact of a fossil fuel economy should be in full

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methane gas to be released, causing a runaway cycle of global warming.

### Scenario Four

#### A second financial crisis would be fatal for US leadership.

Nye 10

Joseph, Heg badass, University Distinguished Service Professor at Harvard University. Washington Quarterly, October 2010. “American and Chinese Power after the Financial Crisis” <http://csis.org/files/publication/twq10octobernye.pdf>

The United States has been widely blamed for the recent financial crisis. As the

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in order to analyze the power relations between China and the United States.

#### Economic primacy is critical to a military that prevents all conflict escalation

Freidberg & Schonfeld, 8

Professor of Politics and IR at Princeton’s Woodrow Wilson School, AND \*\*senior editor of Commentary and a visiting scholar at the Witherspoon Institute in Princeton (10/21/2008, Aaron and Gabriel, “The Dangers of a Diminished America”, Wall Street Journal, http://online.wsj.com/article/SB122455074012352571.html?mod=googlenews\_wsj)

With the global financial system in serious trouble, is America's geostrategic dominance likely to

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disastrous effects of disengagement and the stiff price tag of continued American leadership.

#### Decline of US power projection results in great power wars

**Zhang and Shi**, 1/22/**11** – Yuhan Zhang is a researcher at the Carnegie Endowment for International Peace, Washington, D.C.; Lin Shi is from Columbia University. She also serves as an independent consultant for the Eurasia Group and a consultant for the World Bank in Washington, D.C. (America’s decline: A harbinger of conflict and rivalry, http://www.eastasiaforum.org/2011/01/22/americas-decline-a-harbinger-of-conflict-and-rivalry/)

This does not necessarily mean that the US is in systemic decline, but

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forecast in a future that will inevitably be devoid of unrivalled US primacy.

#### There is no alternative to hegemony—collapse goes nuclear

Ferguson 4—history and business, Harvard MA and D.Phil from Glasgow and Oxford (Niall, A World Without Power, http://www.mtholyoke.edu/acad/intrel/afp/vac.htm, AMiles)

Critics of U.S. global dominance should pause and consider the alternative.

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powers would benefit from such a not-so-new world disorder.

#### Historical studies prove: unipolarity is the most peaceful global structure—decline results in great power wars

Wohlforth 9

William C. Wohlforth is a professor of government at Dartmouth College, “Unipolarity, Status Competition, and Great Power War”, World Politics, 61.1, Jan, MUSE

GENERAL PATTERNS OF EVIDENCE Despite increasingly compelling findings concerning the importance of status seeking in

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, Assyria, the Amarna system—appears consistent with the hypothesis.43

#### No offense – the US will act hegemonic even in decline—plan key to effectiveness

Robert Kagan, Senior Fellow @ Brookings, former fellow @ Carnegie, PhD History, expert in defense policy, The Weekly Standard, January 2011, “Cutting defense spending would place the US in a greater peril than the debt crisis”

It would require not just a modest reshaping of American foreign policy priorities but a

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those years was not sufficient to keep the United States out of war.

#### And, that makes your impacts worse—the US will lash out irrationally

Shapiro 9 – Robert, professor of political science at Columbia University and acting director

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Rule at Home”, World Politics, 61.1, Jan, MUSE

Plausible as these arguments may be, the opposite case may be equally plausible.

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domestic politics, not simply on their position in the international system.13

### Plan

#### The United States federal government should substantially increase its economic engagement toward Mexico by expanding and making semi-permanent the currency swap agreement with the [Banco de México](http://www.banxico.org.mx/).

### Contention Two is Solvency

#### Credit swap lines empirically create market confidence in the peso and allow coordinated crisis management.

Olson et al 9

(Eric, senior advisor to the Security Initiative of the Woodrow Wilson Center's Mexico Institute and has held senior positions at the Organization of American States, Amnesty International, and the Washington Office on Latin America, "The United States And Mexico: Towards a Strategic Partnership" A report of four working groups on U.S.-Mexico Relations, January 2009, [www.wilsoncenter.org/sites/default/files/The%20U.S.%20and%20Mexico.%20Towards%20a%20Strategic%20Partnership.pdf](http://www.wilsoncenter.org/sites/default/files/The%20U.S.%20and%20Mexico.%20Towards%20a%20Strategic%20Partnership.pdf) NP)

The interdependence of the two economies ¶ makes Mexico one of the most vulnerable ¶

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¶ authorities underscores the importance of timely and ¶ coordinated actions in crisis management

#### Currency swaps are an uncontroversial method of solidifying the peso.

Starr 9

(Pamela K., associate professor of international relations at USC and a former professor of Latin American political economy at the Instituto Tecnológico Autónomo de México, published in the Pacific Council, Non-partisan and not-profit organization in Los Angeles with the goal of giving a more effective voice to West Coast perspectives on critical global policy issues, "Mexico and the United States: A Window Of Opportunity?", April 2009, [www.pacificcouncil.org/document.doc?id=35](http://www.pacificcouncil.org/document.doc?id=35) NP)

Implications for U.S.-Mexico Affairs: ¶ A Window of Opportunity¶

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NAFTA to allow Mexican trucks to ¶ deliver their cargo beyond the border.

#### Swap lines are the only alternative to currency controls that escalate the crisis. Only the plan can calm international currency markets.

Mehrotra et al 12

(Aaron, Economist in the monetary department of International Settlements, Bank for International Settlements, "BIS Papers No 67 Fiscal policy, public debt and monetary policy in emerging market economies" Monetary and Economic Department, October 2012, [www.bis.org/publ/bppdf/bispap67.pdf](http://www.bis.org/publ/bppdf/bispap67.pdf) NP)

Recent episodes of market volatility have highlighted two kinds of risks associated with more ¶

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on inflows, ¶ minimum holding periods and currency-specific reserve requirements).

#### Currency swaps with EU, Britain, Canada and Switzerland should have triggered link.

Reuters 12/13/12

“Top central banks renew currency swaps as precaution” http://www.reuters.com/article/2012/12/13/us-usa-fed-swaps-idUSBRE8BC0SD20121213

Top central banks around the world on

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"should market conditions so warrant."