Funding the Future

The US is taxing the world’s poorest — and is disgu...

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The Financial Times reported this week that the US Treasury has proposed new rules that could make sending money home much harder and more expensive for millions of migrants, which is a move likely to hit some of the world’s poorest communities hardest.

This is an important development. At first glance, it appears technical and a change to financial regulations, but in reality, it is a decision with wide-ranging consequences, whether social, economic or political. When I was mainly working on tax justice and development-related issues, this was a major theme of concern, and it seems that matters are just getting worse.

First, what is being proposed is a major increase in reporting requirements for low-value international money transfers, which are precisely the kind of payments used by migrant workers in the USA to send money to their families in low-income countries. These new rules are said to be designed to improve security and tackle financial crime, but there is little evidence that remittances of this sort are a significant channel for any form of illicit activity. What is far more likely is that these proposals will create administrative barriers and increase the cost of migrants in the US sending money to their families in the places where they came from. It is hard to see this as anything other than another attack on migrants by the Trump administration.

Second, this amounts to what is, in effect, an indirect tax on those in the USA least able to afford it. These sums are not part of speculative capital flows. They are not being sent to avoid tax. They are payments being made by workers out of taxed income to help relatives meet essential needs such as housing, food, education, and healthcare. By making these transactions more expensive or complicated, the US is deliberately imposing additional costs on migrant people who are seeking to support their own families.

Third, the impact of this change will not be confined to the individuals directly impacted. In many countries, remittances constitute a significant part of national income. In some, they exceed foreign direct investment or official development assistance. Disrupting these flows risks economic consequences that go well beyond the immediate households involved. It is, in effect, a policy that could reduce the resilience of whole economies in the Global South.

Fourth, the broader message this sends is concerning. The United States has long promoted the free movement of capital. But this policy signals that such freedom is conditional, and that it may be withdrawn when the capital involved either flows in small amounts, or in the interests of poorer communities rather than wealthier ones. This move does, then, reinforce the global imbalance in financial power in the most blatant way.

Fifth, the proposed rules may set a precedent. Other countries might follow suit. What might result is a two-tier global financial system — one where large, wealthy actors continue to move money easily and discreetly, while small-scale financial relationships between individuals and families across borders become ever more difficult.

What this makes clear is that:

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This is not just a technical regulatory change. It is a very obviously political decision with clear distributional consequences targeted at migrants from the poorest countries, whose lives are already being made a misery by Trump.

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The burden of the policy will fall on some of the poorest people in the USA, while offering little or no return in terms of improved financial oversight.

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The logic of the policy is inconsistent with a fair and inclusive international economic system.

In that case, what should be done?

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First, there should be a clear international response. The UK and EU, in particular, should be prepared to question and challenge this approach through diplomatic channels and financial forums.

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Second, development organisations, NGOs, and migrant advocacy groups should be making the implications of this policy clear. Public understanding of the issue is vital because it is profoundly harmful to the well-being of hundreds of millions of people and can only increase hardship and so migrant flows. It is better that funds move easily, rather than people, with all the stress that results from that, most especially for those

forced to do so.

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Third, there is a need to push for international financial standards that protect, rather than penalise, legitimate low-value financial flows. Remittances should be treated as essential, and not as a risk.

If financial systems are to be legitimate, they must serve all people, not just the wealthiest. That includes those whose contribution is not measured in market power, but in the quiet, everyday act of sending money back to their homes so that their families might have a better life.