FACTS: NAFTA 2.0 Does Not Fund Trump's Border Wall

The U.S.-Mexico-Canada Agreement, AKA NAFTA 2.0, Neither Directly Nor Indirectly Requires Mexico to Fund Trump's Border Wall

"Donald Trump keeps repeating the ludicrous claim that somehow the revised NAFTA makes Mexico fund his wall. To start with, it remains unclear if the deal will be enacted. If it is, the text does not include terms obliging Mexico to pay for the wall. Nor are there terms that would extract the money indirectly. The deal cuts the very few remaining tariffs, which are border taxes paid to a government, not raises them. And anyway, tariffs are paid by private firms, not the Mexican government. And, even if NAFTA 2.0 raised tariffs or the new deal resulted in U.S. businesses or workers earning more and thus paying more taxes, we would end up in the same situation: Congress would still have to allocate this new revenue to Trump-wall-building."

- Lori Wallach, director of Public Citizen's Global Trade Watch

There are no terms in NAFTA 2.0 that obligate Mexico to pay for Trump's wall nor otherwise divert funds from the Mexican government to the U.S. government for the wall. Public Citizen's Global Trade Watch has reviewed the lengthy agreement text. Perhaps the clearest evidence there are no wall-funding terms in the deal is that Mexico signed it. Both former Mexican President Enrique Peña Nieto and current President Andrés Manuel López Obrador have been unequivocal: Mexico is not paying for the wall. But even if such terms existed, the uncertainty about whether Congress will ever pass the new deal makes counting on NAFTA 2.0 to fund the wall absurd.

There are no provisions in NAFTA 2.0 that would indirectly fund the border by putting money into the U.S. Treasury from the Mexican government. When trade generates money for a government's treasury, it is via payment of border taxes, called tariffs. But even if NAFTA 2.0 raised tariffs, which it does not, that money would not go into a Trump wall fund. So, the same issue that is causing the shutdown would remain: Congress must allocate general revenue to the wall, but there is no such tariff revenue to be had. U.S.-Mexico trade has been duty-free under NAFTA for more than a decade. When NAFTA went into effect in 1994, Mexico agreed to duty-free treatment of everything with a 15-year phase-in. The revised deal does not add new tariffs. There is some remote possibility that some carmakers could decide to pay tariffs (2.5 percent for cars) rather than comply with tighter NAFTA 2.0 rules on how much of the value of a car must be produced in North America. But even if this occurred, tariffs are not paid from one government to the other. This money would come from firms in Mexico sending goods to the United States. And, ultimately, tariff costs are usually passed on to consumers. So U.S. taxpayers effectively would be paying for the wall, *if Congress chooses to use general revenue funds for a wall*.

Even if NAFTA 2.0 increased U.S. firms' and workers' earnings and thus increased tax revenue for the U.S. government, the same issue that is causing the shutdown would remain: Congress would have to allocate general revenue to the wall. And this still would not be Mexico paying for the wall. Trump could propose a new, special "wall tax" on increased revenue of U.S. firms related to trade with Mexico, but that is NOT passing through Congress! If they cannot get appropriations for a wall, imagine trying to pass a new TAX to fund the wall.[1]

[1] https://www.politifact.com/truth-o-meter/statements/2019/jan/04/donald-trump/no-usmca-trade-deal-wont-pay-border-wall-despite-d/