



June 30, 2026

From: Lawrence Herman
To: Trade Observers
Re: TRUMPS'S FREE TRADE DISTASTE IS MORE THAN A BARGAINING PLOY

Any lingering hope about the survival of any kind of North American free-trade area – let alone the CUSMA itself – was put to rest two weeks ago with Donald Trump saying he is “not looking to renew” the agreement and that he has the right to terminate it, then repeating the point that the United States does not need anything from Canada or Mexico.

While some could read this as a tactical ploy aimed at applying maximum pressure on these trading partners, his comments actually reflect a key part of the MAGA philosophy – a deep-seated antipathy to trade agreements and to the very idea of a North American free-trade area in particular.

The lofty words in the CUSMA preamble about creating a “high standard new agreement to support mutually beneficial trade leading to freer, fairer markets, and to robust economic growth in the region” are gone, dead and buried.

Mr. Trump's threats should not come as a surprise. The notion of a freer, fairer and mutually beneficial North American trade area was actually put to rest when, almost immediately after being sworn into office, Mr. Trump imposed across-the-board tariffs on Canada and Mexico. This was followed by sectoral tariffs on Canadian autos, aluminum, steel and other products.

So much for the overdrawn objectives in the CUSMA preamble. So much for the international law principle that countries are to abide by treaty obligations in good faith.

Mr. Trump got a few things mixed up in his news conference. He confused the point about the three-country review of the CUSMA to see whether it should be continued for another 16 years (to 2042) with the right of the United States to withdraw from the deal on six months' notice, something it can do at any time under the agreement anyway. This same withdrawal right was in both the North American free-trade agreement (NAFTA) and in the original 1988 Canada-US free-trade agreement.

While it is commendable that Canadian ministers, including Dominic LeBlanc, have been steadfastly optimistic about the future of the agreement – how could they not be? – Mr. Trump's series of destructive moves after his re-election showed that the deal was on life support almost from Day 1 and that no treaty entanglements would be permitted to curb his tariff policies. His top trade official, Jamieson Greer, has stated, in effect, that no country has an automatic right of access to the US market, and that such access can only be extended on reciprocal terms set by the United States – comments betraying decades of international trade rules formulated by the United States itself, under the General Agreement on Tariffs and Trade, the World Trade Organization Agreement, NAFTA and down to the CUSMA.

It was pretty clear early on that the United States would never agree to unconditionally extend the CUSMA in the upcoming review process, even with a few adjustments here and there. And it was a given that the US side could always file notice of withdrawal. The hope was that the deep integration of the North American economy and pressure from the US business community would put a brake on that notion. But we now see how deep-seated these MAGA trade policies run.

The question is where do we go from here, even if the agreement continues in some way through the mandated review process?

Assuming the review goes ahead more or less as prescribed, it will involve separate US negotiations with Canada and with Mexico, aimed at extracting maximum concessions from each country, all the while with the threat of complete US withdrawal hovering in the background.

It means that there will be ugly battles with the Trump team over this period, not about renewing or modernizing the CUSMA, but about the entrance fee each country is prepared to pay for continuing access to the US market. And from what the president has previously said, that fee will include tariffs on Canadian autos, steel, aluminum, copper, softwood lumber and other goods. And maybe other entrance fees as well, such as Canada giving way on regulating online streaming and other things.

This does not mean Canada lacks leverage. That leverage includes Canadian energy, critical minerals, important high-end biotechnology, cybersecurity and related fields. It includes uranium supplies and nuclear stuff. It includes pressure from American businesses that rely on Canadian products, from US consumers who are paying added costs for a range of goods supplied by Canada, such as lumber, furniture and aluminum.

In the give-and-take of bargaining, Canada has cards to play and a strong and experienced team that knows how to play those cards. But one thing is clear: The nature of the game has shifted. We are no longer playing in the North American free-trade arena but horse-trading for entry into the US tent.

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