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It's a fantasy to think the USMCA will survive

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As the Carney government tries to sort out Canada's relationship with the Trump administration, almost nothing's been disclosed about the scope, content, timing or ultimate objectives of these talks, even though their outcome – whether success or failure – will be hugely significant for the country.

What we got from Dominic LeBlanc, the minister responsible for Canada-U.S. relations, as he left Washington last week was that Canada had "a better understanding of the American concerns in the trading relationship.... So we're prepared to stick around and do the work needed."

That was an odd statement because a hell of a lot of American concerns have been made abundantly clear by Donald Trump himself, leading to the conclusion that we'll never be returning to the comprehensive free trade notions embodied in the U.S.-Mexico-Canada Agreement (USMCA). A more realistic view is that the USMCA's days are numbered and that Canada needs to be looking at a post-USMCA world.

Let's be clear. Mr. Trump's trade and geopolitical strategy is cemented in tariff wars to force more companies to make things in the U.S. and to make foreigners pay for the privilege of exporting there. He has no use for World Trade Organization (WTO)-type rules or international

treaties. And he's repeated that the U.S. doesn't want anything from Canada – including autos and oil. Recognizing this, Prime Minister Mark Carney has confessed that even if – for now – a large percentage of Canadian exports south are duty free, Canada won't escape some form of U.S. tariffs, suggesting that Mr. Trump won't retreat on steel, aluminum, the automotive sector or other things, including pharmaceuticals and copper.

All of this makes it unlikely that the USMCA will survive as anything resembling the free-trade agreement we have now. Having offended the very core of that agreement by launching aggressive trade wars on Canada and Mexico right after being sworn into office, Mr. Trump has tossed away any sense of shared objectives uniting the three countries in a common enterprise, rejecting the very idea of a North American free trade area.

We're looking at separate tariff deals, the kind of hub-and-spoke arrangements that the 1994 North American free-trade agreement was designed to avoid. The likelihood of some orderly review of the USMCA in 2026 to see if it should continue, as some hopeful commentators seem to think, won't happen. The more plausible scenario is that Mr. Trump will open early negotiations and try to strong-arm Canada into accepting either a rewritten deal or an entirely new one on his terms.

We can take lessons by looking at what's happened since the Liberation Day reality show in the Rose Garden in April. It amounted to a complete disavowal of eight decades of a rules-based global trading order. Look at the one-sided shakedowns Mr. Trump has concluded since then, forcing others into handshake "deals" where he holds all the cards. There's a 10-per-cent tariff deal with Britain, and 15-to-20-per-cent tariff deals with South Korea, Indonesia, Japan, the Philippines, Vietnam and the EU, with commitments on the part of each to buy certain amounts of U.S. goods and make substantial U.S. investments.

These deals will not lead to full-scope free-trade agreements, the kind of binding treaties that we came to know under the WTO framework. The conclusion is that in the days ahead, Canada and Mexico will be faced with tough demands wrapped in a kind of take-it-or-leave-it cloak. The notion that the USMCA can be modified, adjusted or modernized in a mutually balanced way is a fantasy. Even if there's an incorporation of some USMCA-compliant set of standards in a newly concocted deal, the USMCA era is probably coming to an end and Canada may face a future without any kind of a broad-based trade agreement with the U.S.

That future could start soon, with Trump & company issuing demands for separate, transactional “deals” with Canada on the one hand, and Mexico on the other – the kind of U.S.-centric arrangements that Canada sidestepped when it convinced the George H. W. Bush administration to pursue three-way trade back in the early 1990s.

The Carney government and Canadian businesses need to be diligently preparing for this reality, with steep tariffs in key sectors as the ticket price for access to the U.S. market. For Canada, as the Prime Minister has indicated, minimizing the costs of that ticket means businesses need to be using other doors that have been opened, such as free-trade agreements with reliable partners like the EU and the Asia-Pacific countries, including Japan. It will certainly take effort, but that's the reality of disentangling from an unfriendly, unco-operative and unreliable customer next door.
