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Trump signals further trade turmoil ahead

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U.S. President Donald Trump's latest threat to block the opening of the Gordie Howe Bridge shows how far Canada-U.S. relations have deteriorated.

The \$6.4-billion second link between Windsor and Detroit, funded by Canada, is supposed to open this year. Then Mr. Trump said on Monday: "I will not allow this bridge to open until the United States is fully compensated for everything we have given them."

This aggressive bullying won't stop and is likely to spill over into the review of the United States-Mexico-Canada Agreement that's slated to begin in July.

Look at what's happened over the last months. Mr. Trump cancelled tariff negotiations in October because of an Ontario ad in U.S. media that featured former president Reagan being critical about tariffs. After insulting Canada and Prime Minister Mark Carney at the World Economic Forum meeting in Davos, Mr. Trump threatened more tariffs because of a Canadian compromise with China over electric vehicles. Then Mr. Trump threatened even more tariffs because of procedural delays in Canadian certification of U.S.-made aircraft.

Even if the U.S. Supreme Court disallows the use of the International Emergency Economic Powers Act in its soon-to-be-released decision, uncertainty will not be reined in. Mr. Trump can use other statutes, particularly Section 232 of the 1962 Trade Expansion Act, a statute that was discovered and dusted off during his first administration. This and other laws that allow executive orders are more complicated to use, but the point is that Mr. Trump is not going to back away from the tariff weapon as the foundation of his MAGA trade policy.

The USMCA review process will not help Canada. The agreement requires the review to be conducted by the USMCA Free Trade Commission, and it says that if the three governments don't agree to extend the USMCA for 16 years, there have to be annual reviews by the commission until the 2036 termination date is reached. But the commission is not some kind of free-standing, independent body. It is just an impermanent paper organization, made up of the trade ministers of the U.S., Canada and Mexico.

The commission's lack of independence and power was designed to give maximum leverage to the U.S. side. The review will not be some kind of orderly process but rather Canada and Mexico trying to negotiate an accommodation on tariffs while keeping the USMCA alive in some way. And hearing the President say the USMCA is "irrelevant," judging from the eruptions and threats we've seen over the last months, Mr. Trump and his team could demand sidestepping the process altogether and moving to full-scale renegotiations of the entire deal.

Monday night's bridge threat from Mr. Trump is yet another sign that the talks will be fraught. He said the United States should own half the bridge and complained about what he saw as the lack of U.S. steel in it. He also railed against supply management, Ontario liquor stores' removal of American alcohol and Canada's dealings with China. The record since Mr. Trump was sworn in shows a White House with little interest in the North American free-trade ideal or for a balanced and mutually satisfactory set of arrangements.

Instead of equal players around the negotiating table, what may emerge at the USMCA talks is a situation where the U.S. asserts itself as the undeniable economic giant, a hegemonic bully with the largest and most lucrative market in the world, and Canada and Mexico being lesser players, facing demands for new America-centric trade deal.

The conclusion is that whether the formal USMCA review process is adhered to or not, we will be into a difficult renegotiation period with the Americans with no specific end date and one that could easily deteriorate into acrimonious confrontation.

Maybe concerned U.S. business voices will have influence on the White House. And maybe the bond markets will exert some discipline, as the pass-through costs of tariffs start to be felt more broadly across the U.S. economy. Should the worst-case scenario unfold, however, with the Trump team insisting on a full-scale renegotiation of the deal and putting down a slate of unreasonable demands backed by continuing tariff threats, Canada will have to consider how to stay at the table.

At this stage, we really can't say what will happen. The Gordie Howe Bridge episode shows how explosive and volatile things are with Mr. Trump. All of this portends an

extremely messy and uncertain future for the USMCA and for bilateral relations in general.
