



6 July 2026

“FORTRESS NORTH AMERICA” IS A BAD IDEA

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It comes as no surprise that the U.S. has refused to extend the USMCA for another 16 years. It was foreseen for weeks by anyone following Donald Trump’s MAGA trade agenda. In fact, the whole review process in the agreement is largely a sham, designed to give maximum leverage to the American side once that review began.

The reality is that Canada and Mexico are now engaged in a lengthy and acrimonious period of tough negotiations with the Americans over the future of the USMCA that will spill over into broader areas of public policy, as the Trump administration applies pressure on its two partners into making concessions across many sectors as part of the price for continued access to the U.S. market. Hovering over the talks is the possibility that Trump would seek to withdraw the U.S. from the agreement entirely.

Recently, there has been talk of a “Fortress North America” arrangement – a coordinated continental program of supply chains and external tariffs – to attract U.S. support for the continuation of some form of the USMCA. It’s an idea advocated by the Ontario government and supported by the Business Council of Canada; a few U.S. politicians have spoken in favour as well. Prime Minister Mark Carney voiced some support for it, too, when he spoke about Canada remaining open to the concept in certain sectors, though he did not specify which ones.

While it’s an interesting initiative in some ways, the brakes should be put on this whole “fortress” business. Several knowledgeable commentators (such as Peter Donolo and Claude Lavoie) have underscored the perils in sharply written opinion pieces, pointing out that such an arrangement will inevitably be one-sided and involve the surrender of major aspects of Canadian policy to decisions taken in the Oval Office.

But apart from these serious sovereignty risks, the USMCA itself is totally unworkable as a vehicle for any kind of coordinated North American trade and tariff policy. That is because, unlike some other trade deals, there is no central administering body in the USMCA that supervises its implementation or has executive authority to settle differences or issue corrective decisions. While theoretically overseen by a "Free Trade Commission" – comprised of the trade ministers of the three governments – that body is essentially a fiction. It has no executive authority.

This is a model that dates back to the original Free Trade Agreement of 1988 and the 1994 NAFTA, reflecting U.S. hostility to any kind of supranational body in its trade deals that might override unilateral US policies or actions on any trade-related matter.

Contrast this with trade agreements where there is a central structure to administer tariff and trade arrangements with authority delegated by the participating governments. An example is Mercosur, the free trade agreement among Brazil, Argentina, Uruguay, Paraguay and Bolivia. While not like the fully integrated EU system, Mercosur has a common external tariff, a permanent executive body with supervisory powers and, importantly, requires consensus among member governments to make any tariff changes.

None of this applies to the USMCA. The Americans would never accept proposals to change its basic free-wheeling structure, which ensures complete freedom of action by Washington. It means that, as we have seen since Mr. Trump first assumed office in 2017, the U.S. will call the shots as the dominant partner in any "fortress" arrangement. Mr. Trump will not have it any other way– and we cannot assume his successors, Republican or Democrat, would act differently.

An early warning signal of Washington's aim to control the policies of its USMCA partners is the provision strong-armed into the agreement by the first Trump administration requiring advance consultation with the White House before Canada can even start trade negotiations with any non-market economy country – meaning China, of course.

Integrated arrangements and policies involved in a Fortress North America concept would give even more leverage to the White House, not only to arbitrary demands for increasingly higher levels of U.S. content in goods but changes to or removal of Canadian policies on things like digital services, critical minerals, energy and financial services. We have seen American officials mouth off about Canada for allowing Chinese EVs into our market, an indication of what would happen in spades under some kind of North American fortress regime.

So let us have no illusions: Fortress North America would reinforce U.S. leverage and continual pressures to pursue a common external trade policy issued out of the White House, forcing Canada to man the trade ramparts against the rest of the world. It would represent nothing less than Canada's sovereign independence being held hostage to diktats from the Oval Office. The fortress idea should be stricken from Canada's strategic playbook.
