



December 10, 2025

From: Lawrence Herman
To: Trade Watchers
Re: THE TRADE CALCULUS OF THE NEW ERA

It seems fair to say that in the annals of Canadian trade relations, there has rarely been as intense a flurry of activity as in the past few months, with more than a dozen new agreements struck by Prime Minister Mark Carney to begin, accelerate, or formalize trade and/or investment negotiations in meetings with his counterparts, from Japan to the Asean countries to South Korea, India, South Africa and the UAE.

All this is part of the Carney government's strategy of diversifying Canadian trade away from the United States.

These agreements – whether formally concluded or proposed for negotiation – are of varying formats. Some are the more ambitious, large scale and all-encompassing, following the Canada-EU, NAFTA and CUSMA models. The ones with the UAE and Asean group fall into this category. Others are focused more narrowly on specific activities or economic sectors, like the deals with India and South Africa. These differences warrant a closer look.

While there is still some steam for concluding mega trade agreements, finding common ground on a vast range of increasingly complex issues requires long, laborious and often contentious negotiations, taking huge amounts of time, energy and public resources. Governments increasingly have less time to hammer out these broad-based agreements.

Even before the assaults on the global trading order by Donald Trump, there had been a notable shift in international trade as governments pursued narrower, often less politically contentious trade deals covering specific fields, such as pharmaceuticals, cyber-technology, critical minerals, defense and security.

Industry-focused or sector-specific agreements were once considered offside WTO non-discrimination rules, requiring that imports from all sources be treated equally and on a non-discriminatory basis by the importing country (the so-called most favoured nation or “MFN” principle.)

Among the more notable of these more specialized agreements have been those in the digital sphere, such as the 2020 *Digital Economy Partnership Agreement* (DEPA) among Singapore, New Zealand and Chile, an agreement Canada has sought to join. Under the Trump administration, there has been an aggressive push to conclude industry-specific trade deals, often under threat of tariff pressure, without any suggestion that these needed to comply with or be sanctioned by the WTO.

The trend toward smaller agreements reflects what Neil Shearing, in his new book *The Fractured Age*, describes as the fragmentation of the global economy, into a US-centred bloc and a China-centred bloc via the splintering of existing trade agreements currently defined by megadeals. In a recent summary of Shearing's work, the *Financial Times*' Martin Wolf argued that China will come out ahead in this process because of Donald Trump's behaviour, “that the US is mounting a suicidal assault on its principal assets,” notably its relationships with trading allies, including Canada.

This move to industry-specific trade deals is a shift that has important geopolitical implications, not least for its threat to the CUSMA status quo from a Trump administration clearly determined to use smaller, more bespoke trade deals for coercion, triangulation and leverage purposes.

Canada is already following this trend. The new India agreement last month covers number of specific areas, such as uranium, nuclear power technology, critical minerals and clean energy, the South Africa deal centres on nuclear trade and the existing Canada-Korea FTA is being augmented by specific defence sector goals.

The larger and more pressing question is how all of this figures into the Canada-US trade relationship, the management of which, as always, represents the major challenge in Canadian trade policy. In this respect, it seems obvious the Trump administration has no use for broad-based, comprehensive trade agreements, as already noted. Mr. Trump's aggressive trade agenda is based on specific tariff deals where the United States can exert maximum leverage, like the ones Trump concluded with the EU, the United Kingdom, Japan and others.

This not only re-sets the norms on the power dynamics of global trade agreements more broadly, it has specific implications for the future of the CUSMA, which is up for review in July. At least nominally, the agreement lasts until 2036 unless any of the three governments files a six-month notice of withdrawal, a right that cannot be discounted. An advance picture of how the US will approach the review, including the withdrawal element, will be known when the USTR issues a report in early January.

Even in advance of the USTR report and well before the formal review process starts, it is possible that Canada could be faced with US demands to whittle down the agreement, possibly even under threat of US withdrawal, and for concessions in specific areas in return for tariff relief in sectors of concern to Canada.

Maybe not. But indications from the White House are not terribly promising. Even if saner and more reasonable voices prevail and the Americans approach the CUSMA review constructively, Canada needs to be prepared and well-armed for a tough and bruising battle with the Trump administration as the new year dawns.

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