



Newsletter special- Top news on **CUSMA**

Just in time for the national "Canada Day" on July 01, 2026, and the last possible date for the possible extension of the free trade agreement CUSMA of 2020, the US administration announced that an extension of the agreement between the USA, Canada and Mexico would not be in the interest of the USA, but that the CUSMA agreement would remain in force for the time being, in order to renegotiate the critical points from the USA's point of view in further negotiations from 20 July 2026 onwards.

The strategy is thus reminiscent of US President Donald Trump's attempts in 2018 to persuade the contracting parties to make concessions to the US. A period of great uncertainty for Canada's further economic development is thus imminent and hits Canada during a technical recession.

For two quarters in a row, the Canadian economy, which has been suffering for a year from the ups and downs of punitive tariffs and counter-tariffs, high energy and living costs, an unemployment rate among the adult workforce of over 6 percent and youth unemployment of around 13 percent, has not grown. Already,

jobs in Canadian industry are at risk, inflation has risen in May 2026 to around 3,2 percent, and increased government debt could further fuel it. Canada's efforts to further break away from its high economic dependence on the USA through a broad diversification of trade relations with the EU, with Germany and the Indo-Pacific region, especially with Australia, South Korea, Japan and China, are likely to be strengthened by this.

There is rather no time for waiting within the Canadian government after these announcements. Nevertheless, Canada is reacting demonstratively calmly and is counting on further negotiations. In a statement today, Trade Minister Dominic LeBlanc (Liberals) said that Canada remains fully committed to supporting and renewing the CUSMA agreement, especially as it “supports millions of jobs across North America” ¹. Therefore, he apparently added in a reassuring manner that from the point of view of the USA, the agreement would remain in force for the time being and that it “could be extended at any time until 2036 for another 16 years”. ²

However, this is probably only the one side of the coin, because only a few weeks ago, according to Politico, US Trump declared that the CUSMA agreement can be finally terminated at any time with a lead time of 6 months, even if it remains in force, but Trump will also meet with resistance from his own Republicans in Congress, who are sticking to the agreement with a view to the agricultural linking of the US export markets with Mexico and Canada wanted. ³

The consequences for Canadian industry and its productivity are likely to be considerable one way or another, further dampening the investment volume of US companies in Canada and in turn of Canadian companies in the USA. In particular, the Canadian automotive sector, its suppliers, the steel and aluminum sector, but also the chemical industry and the agricultural and forestry sector remain particularly affected by the announcement of a termination that can be terminated at any time. In all likelihood, this time of uncertainty would significantly affect German car manufacturers such as VW and their approximately 5 billion euro project of a gigafactory for electromobility in St. Thomas/Ontario, at least the export markets in the direction of the US market will be affected by the regulation of components produced mainly in the CUSMA area, because the US government will already apply the lever as in 2018.

In addition to the already noticeable effects of the transformation and increased production costs, the impact on production sites in Germany could have a significant impact on the ongoing debate on job cuts in German plants. It remains to be seen

¹ Global Affairs Canada, <https://www.canada.ca/en/global-affairs/news/2026/07/statement-by-minister-leblanc-following-trilateral-cusma-joint-review-meeting.html>, 01.07.2026, [downloaded 01.07.2026]

² Ibid.

³ Daniel Desrochers: Both Mexico and Canada have sent letters to the Trump administration saying they support renewing the agreement for another 16 Years, in Politico, 10.06.2026.

whether the MoU between the German government and the Canadian government from February 2026 could expand “established new partnerships with companies from Germany and the Republic of Korea to build out a battery supply chain”

⁴Alongside this MoU the impression was given cooperation between Canada and Germany in the build up production capacities of German carmakers in Canada can still be successfully implemented. According to the Canadian Ministry of Commerce in addition to today's statement by Minister Dominic LeBlanc, goods and services were exchanged between Canada and the USA last year in the order of 2.2 billion euros per day (!). For both countries, the respective direct investments in the USA or vice versa in Canada are over 50 percent. This makes both countries the largest mutual investors. According to the ministry statement, in 2025, US companies in Canada invested around half a trillion euros in Canada, while US companies invested around 800 billion Euro in Canada. Mexico is also the eighth largest investor in Canada with around 40 billion Euro.⁵

These few figures illustrate Canada's close ties with the USA and within the previous CUSMA agreement. With a view to the upcoming mid-term elections in the USA in autumn, the US administration is likely to meet with the approval of the trade unions, considering the mood in the USA, because US President Trump's main argument against the CUSMA trade agreement is a disadvantage for the USA. And here it seems to be more important to serve this feeling of supposed injustice than to consider the facts of mutual dependencies, especially in the energy and raw materials sector. The US is undoubtedly more dependent on the energy superpower Canada than it wants to admit to itself.

The Canadian parliament has started its summer pause and will not officially return from it until end of August, beginning of September. Canada's challenges are unlikely to diminish in the coming weeks. As part of today's 195th Canada Day, the Prime Minister has deliberately wanted to bring positive messages to the Canadian people by invoking "stronger together" in difficult times. "Buy Canadian, working with Canadians, cheering for Canadians." (Interview CBC, 01.07.2026). Indirectly, he was also addressing the separation efforts in Alberta.

A complex process of vote on Alberta's independence or not is expected there in October 2026. The celebrations of Canada Day on 1st July were interrupted in Ottawa in the afternoon by heavy thunderstorms and rainfall. In terms of CUSMA, there is also the threat of severe storms. In this respect, it is hardly surprising that Canada wants to further expand and deepen its economic, energy policy and security policy relations with Europe and Germany and thus – as a representative survey recently published by KAS Canada together with the Nik Nanos Institute makes clear – meets with a high level of approval among Canadians. (See link)

<https://www.kas.de/documents/7209110/7289702/2026-2913+KAS++Populated+report+-+FOR+RELEASE.pdf/d53503c8-06b8-9465-8d95154a246bf07b?version=1.0&t=1781203168720>

⁴ Government of Canada, Innovation, Science and Economic Development Canada: <https://www.canada.ca/en/innovation-science-economic-development/news/2026/02/canada-and-germany-to-work-together-in-key-industrial-sectors.html>, 04.07.2026, [04.07.2026]

⁵ Global Affairs Canada: <https://www.canada.ca/en/global-affairs/news/2026/07/statement-by-minister-leblanc-following-trilateral-cusma-joint-review-meeting.html>, 01.07.2026 [01.07.2026]

Importance of Europe to Canada's global trade strategy in the future— by connection to Germany

Q – Would you say that Europe is important, somewhat important, somewhat unimportant or unimportant to Canada's future in the following areas:

Canada's global trade strategy

	Canada 2026-05 (n=1531)	My ancestry is from Germany (n=162)	I have friends whose ancestry is from Germany (n=251)	I have visited Germany (n=233)	I am interested in visiting Germany in the future (n=444)	I have learned about Germany through work (n=59)	None of these statements describe me (n=714)
Important	59.7%	66.9%	71.4%	73.3%	68.3%	63.5%	51.1%
Somewhat important	28.2%	22.9%	21.4%	20.0%	25.8%	34.1%	32.0%
Somewhat unimportant	4.2%	3.6%	3.0%	4.5%	3.6%	2.4%	4.3%
Unimportant	1.0%	0.9%	1.5%	0.3%	0.1%	-	1.6%
Unsure	6.8%	5.7%	2.6%	1.9%	2.1%	-	11.0%

Canadians who have visited Germany (73%), have friends who have German ancestry and those interested in visiting Germany in the future (68%) report higher levels of belief that Europe will be outright important to Canada's global trade strategy in the future than those with no connection to Germany (51%).

Canada's cooperation with Europe, 10 years from now - by connection to Germany

Q – Do you think Canada's cooperation with the following will be stronger, the same or weaker in 10 years than it is today? [RANDOMIZE]

Europe

	Canada 2026-05 (n=1531)	My ancestry is from Germany (n=162)	I have friends whose ancestry is from Germany (n=251)	I have visited Germany (n=233)	I am interested in visiting Germany in the future (n=442)	I have learned about Germany through work (n=59)	None of these statements describe me (n=714)
Stronger in 10 years than it is today	63.4%	62.5%	74.4%	79.7%	74.2%	64.5%	55.1%
Same in 10 years than it is today	28.8%	27.9%	20.9%	13.7%	20.0%	29.2%	35.8%
Weaker in 10 years than it is today	7.8%	9.6%	4.7%	6.6%	5.8%	6.4%	9.1%

Majority of Canadians who have a connection to Germany think Canada's cooperation will be stronger in 10 years than it is today, more so than those with no connection to Germany (55%).

Importance of Europe to Canada's foreign policy strategy in the future – by connection to Germany

Q – Would you say that Europe is important, somewhat important, somewhat unimportant or unimportant to Canada's future in the following areas:

Canada's foreign policy strategy

	Canada 2026-05 (n=1531)	My ancestry is from Germany (n=142)	I have friends whose ancestry is from Germany (n=251)	I have visited Germany (n=233)	I am interested in visiting Germany in the future (n=444)	I have learned about Germany through work (n=59)	None of these statements describe me (n=714)
Important	53.4%	58.0%	64.1%	65.8%	61.8%	58.5%	45.7%
Somewhat important	30.4%	27.8%	25.1%	24.6%	28.7%	27.9%	33.0%
Somewhat unimportant	5.2%	3.1%	5.6%	3.2%	5.0%	11.5%	4.9%
Unimportant	2.5%	1.7%	2.6%	2.9%	1.1%	2.2%	3.3%
Unsure	8.5%	9.5%	2.6%	3.6%	3.4%	-	13.1%

Those who have visited Germany (66%), have friends with German ancestry (64%) and are interested in traveling to Germany in the future (62%) believe that Europe will be outright important at a rate higher than those who have no connection to Germany (46%).

Importance of Europe to Canada's foreign policy strategy in the future – by connection to Germany

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Canada's foreign policy strategy

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Somewhat unimportant	5.2%	3.1%	5.6%	3.2%	5.0%	11.5%	4.9%
Unimportant	2.5%	1.7%	2.6%	2.9%	1.1%	2.2%	3.3%
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