## The Daily Dish

# USCA Trade Negotiations

**DOUGLAS HOLTZ-EAKIN | AUGUST 26, 2026**

To quickly recap recent trade developments, the United States declined to renew the United States-Mexico-Canada Agreement (USMCA), leaving it up to year-by-year review. President Trump also used Section 338 of the Tariff Act of 1930 to levy 50-percent tariffs on Canadian motor vehicles, alcohol, and dairy in response to supposed trade discrimination by Canada. Intense negotiations right up to the date of enactment imploded spectacularly and these went into effect on August 22.

In response to Canada threatening to retaliate, the president threatened to hit imported cars, trucks, automobile parts and steel with 50-percent tariffs on January 1, 2026. Yesterday, Canada revealed its actual retaliation. According to *The Wall Street Journal*:

> *Officials said that effective Sept. 8, or the day after Labor Day, Canada plans to place tariffs ranging between 15% and 50% on about $20 billion of goods, or roughly 7% of total U.S. imports. Among the products targeted by Canada are U.S. steel, aluminum, motorcycles, washers and dryers, chain saws, processed cheese, clams and frozen octopus.*
>
> *U.S. steel and aluminum were already subject to a 25% tariff, but that will now double to 50%, officials said.*

To close out this round of tit-for-tat international diplomacy, the president wrote on Truth Social:

> *The United States is giving serious consideration to changing the name of Lake Ontario to Lake America in that we don't expect to be doing much business with Ontario any longer.*

The coverage of the back and forth is littered with talk about trade wars and spiraling conflict. But Eakinomics thinks a less hyperbolic dynamic is in play here. The United States put in place an artificial deadline of August 22 to try to rework trade within the context of the legacy USMCA. Canada has now put a September 8 deadline on exactly the same issue: trade terms between the United States and Canada. And another deadline of January 1 is floating around in the background.

Should the two countries reach agreement before September 8, Eakinomics has no reason to doubt that the recent tariff announcements on both sides will be rolled back and what will be in place is a *de facto* U.S.-Canada Trade Agreement (USCA). We are simply witnessing the birthing pains of this new pact.

Would it have been better to avoid disrupting the unified Canada-U.S-Mexico economic market? Yes, absolutely. Could the negotiations have been openly declared with the goal of USCA on the table? Yes. Would it be better to avoid these *ad hoc* annual adjustments. Yes. Trump's trade policy should not escape criticism.

We are not witnessing economic Armageddon. But what we are witnessing is damaging and should be avoided. Both sides need to get to yes. It's time for the USCA.