



# **2025-2026 Research Package**

## **Topic 1: THBT it is in the interests of North America to decrease free trade**

### **Background**

#### **What is a free trade agreement?**

A free trade agreement is an arrangement between two or more countries who commit to opening up their markets by lowering or eliminating tariffs, quotas, or other trade barriers, making it easier for goods and services to move between them. Free trade deals in North America are typically multilateral agreements between Canada, Mexico, and the United States of America. The opposite of free trade is protectionism. Protectionism entails government strategies designed to limit international trade in order to bolster domestic industries.

Free trade agreements allow countries to pursue economic specialization. Businesses in each country focus on producing and selling goods that best use their resources. Other businesses import goods that are scarce or unavailable domestically. The mix of local production and

foreign trade facilitated by free trade agreements is believed to foster faster economic growth while tailoring to consumer needs.

### **Why is free trade in North America relevant?**

Free trade in North America recently rose to prominence after Donald Trump's signing of an executive order levying tariffs on Canadian exports to the U.S. at 25 percent on all non-CUSMA compliant products and 10 percent for energy, critical minerals, and potash. Such tariffs were justified as a way to compel Canada to address the flow of illicit drugs across the Canada–U.S. border, and the Trump administration cited fentanyl as a national security threat.

Similarly, the United States' 25 percent levy on all products applied to Mexico. The duty disproportionately affects Mexico as it is the largest exporter of medium and heavy-duty trucks to the U.S. Steel and aluminum tariffs have also raised the price of metals imported to and domestically sourced in Mexico. These tariffs were imposed because the White House alleges that Mexico has allowed cartels to engage in the manufacturing and transportation of dangerous narcotics.

As a result of U.S. tariffs, CNBC News reports that inflation is generally higher as companies are caught between absorbing costs or passing them onto customers. In April 2025, Canada's unemployment rate rose to 6.9% because of jobs shed in the manufacturing sector. Mexican foreign direct investment (FDI) has dwindled because of uncertainty surrounding access to the United States' consumer market. Ultimately, efforts to dismantle free trade agreements in North America prompt conversations about consumers, workers, and industries that disproportionately rely on economic interdependence.

### **What is the history of free trade in North America?**

The North American Free Trade Agreement (NAFTA) signalled the beginning of widespread free trade between Canada, Mexico, and the United States. It intended to promote trade between the three countries, increase investment opportunities, and improve fair competition. Numerous tariffs on a variety of products were removed, including agricultural goods, vehicles and textiles. NAFTA came into effect on January 1, 1994.

At the time of NAFTA's signing, there was vocal opposition to the expansion of free trade in North America. Critics worried about corporate interests, environmental impacts, and the lowering of employment standards. For example, Canadian unions were concerned that the agreement would lead to an exodus of Canadian manufacturing firms to Mexico where labour costs were significantly lower.

In 2017, U.S. President Donald Trump urged the renegotiation of NAFTA, calling it “the worst deal ever made.” Trump then announced tariffs on imports of Canadian and Mexican steel and aluminum, in addition to Canadian softwood because he alleged that other countries were “ripping-off” the United States. Mexico retaliated with tariffs on \$3 billion of U.S. goods, including steel, pork, apples, potatoes, bourbon, and different types of cheese. Canada subsequently imposed tariffs on \$12.5 billion of U.S. goods, including steel, toffee, maple syrup, coffee beans, and strawberry jam. Consequently, Canada, the United States, and Mexico reached a trilateral agreement called the Canada-United States-Mexico Agreement (CUSMA). CUSMA came into effect on July 1, 2020. It stipulated that at least 40% of a vehicle’s labour value content come from workers earning at least \$16 per hour and that 75% of passenger and light trucks’ content come from North America.

Free trade in North America is actively changing because of ongoing talks between Canada, Mexico, and the United States about new agreements and possible tariff imposition. Debaters are encouraged to consider recent news updates in their argumentation.

## Questions to Consider

- *Who benefits from free trade in North America? Who is disadvantaged?*
- *How does free trade affect employment levels and pricing in countries?*
- *What are the harms of free trade? What are the benefits?*
- *Do the harms of free trade outweigh its benefits?*
- *How has free trade changed in North America?*
- *What is an alternative economic approach to free trade in North America?*
- *Does free trade create problematic interdependence between Canada, Mexico, and the United States of America?*

Links:

[From NAFTA to CUSMA: A brief history of tariffs and trade](#)

[US and Mexico reach a preliminary trade deal that could replace NAFTA](#)

[Mexico’s Economy Under US Tariffs and Trade Uncertainty](#)

[Canada’s unemployment rate jumps to 6.9% in April as Trump tariffs bite](#)

[New US tariff threatens Mexico’s automotive industry starting Oct. 1](#)

[Trump tariffs are 'unsustainable', says Mexico's auto sector chief](#)

[NAFTA turns 20: Mexico is pact's biggest winner](#)

[Free Trade Agreement \(FTA\): Definition, How it Works, Example](#)

[Understanding Protectionism: Tools and Examples for Trade Policies](#)

[Don't Fight a Losing Battle: US Trade Protectionism and Canadian Retaliation](#)

[Protectionism \(The Canadian Encyclopedia\)](#)