

## Policy Brief: A Primer on CUSMA and the Cultural and Creative Industries

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### Purpose

This Policy Brief offers a primer on Canadian cultural trade and issues that may be raised in the upcoming joint review of the Canada-United States-Mexico Agreement (CUSMA). There is great uncertainty regarding Canada's geopolitical position and trade relationships. This upcoming policy exercise is part of a larger context concerning the import and export of culture amidst rapid digital transformation and U.S. departures from the typical Canada-U.S. trade relationship. During the negotiations, priority should be placed on ensuring Canadian voices and cultural expressions are not drowned out or facing undue competition.

### Key Points

- The Canada-United States-Mexico Agreement (CUSMA) is the current free trade agreement between three North American parties; goods and services that are traded under CUSMA receive preferential treatment compared to goods and services that are not.
- Joint review for the operation of CUSMA is planned for July 2026.
- The culture exemption within CUSMA allows Canada to take measures to protect its cultural industries, while maintaining creators' and businesses' preferential treatments under the agreement.
- Canadian cultural sector interest holders are looking to the government to maintain the cultural exemption and abilities to regulate digital services that operate in Canada.

### Background on Cultural Trade in Canada

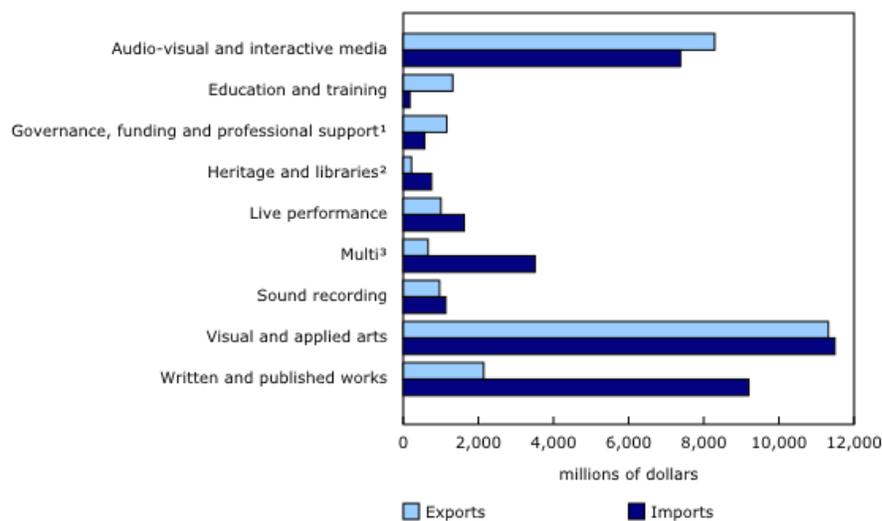
Now that the United States has imposed tariffs on a variety of goods and services entering that country, assumptions about the relevance and need for CUSMA have become uncertain. Despite its significant political posturing over the past year, the U.S. has only imposed [35% tariffs on Canadian exports that are not included under CUSMA](#) and, in compliance with the agreement, Canada has [removed counter tariffs](#) on U.S. imports (except steel, aluminum, and autos). Going into the CUSMA review, priority should be placed on ensuring Canadian voices and cultural expressions are not drowned out or facing undue competition in Canada's internal markets.

In recent years, the Government of Canada has increasingly recognized the trade potential of cultural industries. The government helps creative industries maximize their export potential and engage in international markets using funding programs, trade missions and other supports under the [Creative Export Strategy](#). The strategy supports Canadian for-profit and not-for-profit organizations in artistic craft, performing arts, design, audiovisual, visual art, interactive digital media, music and publishing and a [Creative Exports Advisory Table](#) was established in 2024 to facilitate dialogue between the federal government and creative industries on export-related topics. This support highlights the [complicated role of culture in trade](#): simultaneously a tool for instrumentalizing and resisting trade liberalization and North American economic integration.

According to [Statistics Canada](#), in 2023 Canada exported \$27.1 billion of cultural products (mostly to the U.S., India and the United Kingdom) and imported \$35.8 billion of cultural products (mostly from the U.S., China and Mexico). Education and training, audio-visual and interactive media and live performance drove increases in exports. Design, performing arts and broadcasting subdomains drove increases in imports. Statistics Canada analysis concludes: “Overall, culture products accounted for 2.8% of all goods and services exports and 3.7% of total imports in 2023.” The Canada Council for Arts recently published a helpful [infographic](#) summarizing the flow of cultural products in Canada’s international trade relations.

As illustrated in Figure 1 below, Canada imports more culture products than it exports in six of nine culture domains (these are heritage and libraries, live performance, multi-domain works, sound recording, visual and applied arts and written and published works). Statistics Canada finds that despite being Canada’s largest trading partner, the share of exports of culture products to the U.S. has been declining.

Figure 1: <https://www150.statcan.gc.ca/n1/daily-quotidien/251021/cq-b001-png-eng.htm>



## Background on CUSMA

The Canada-United States-Mexico Agreement (CUSMA) is the current free trade agreement between three North American parties. CUSMA replaced the 26-year-old North American Free Trade Agreement (NAFTA) in 2020 and is applicable until 2036. Goods and services that are traded under CUSMA receive preferential treatment compared to goods and services that are not. That preferential treatment typically amounts to tariff-free and duty-free importing/exporting, recognition of low-value shipment thresholds and preferential rules of origin. The advantage to Canada of the current free trade agreement is the maintenance of co-operative and predictable trade relations with the United States and Mexico, and support for North America’s global competitiveness.

## Background on Cultural Exemption

Cultural exemptions in trade between Canada and the United States predate NAFTA. Since 1989, there has been an exemption for “cultural industries” (publishing, film production, music distribution and radio and television broadcasting) on duties and tariffs for cultural goods, products and expressions. The provisions outlined in CUSMA’s Chapter 32: Exceptions and General Provisions counterbalance the dominance of American cultural expressions in Canadian media and protect Canadian cultural sovereignty. The cultural exemption allows Canada to take measures to support and protect its cultural industries, without contravening the spirit and terms of the overall trade agreement.

Under the current cultural exemption, Canada retains the ability to implement policies like broadcasting quotas, funding programs and regulations to support Canadian artists and creators without restrictions from the United States or Mexico. A poll by the Canadian Media Producers Association (CMPA) shows that [91 percent of all Canadians want to protect their country’s culture and national identity](#) from U.S. influence. According to the [Coalition for the Diversity of Cultural Expressions \(CDCE\)](#), “[w]ithout this exemption, [many measures](#) to support the creation and dissemination of Canadian content, to ensure its promotion or discoverability, would not have been possible.”

## Current Context

The first joint review of the functioning, implementation and outcomes of CUSMA is scheduled for July 1, 2026. This upcoming joint review is an opportunity for Parties to the agreement to address shortcomings related to economic development and work standards, and to explore issues not currently covered by CUSMA. Despite recent departures from typical trade relations, the [Trade Commissioner of Canada](#) maintains that “For the vast majority of goods (over 98% of tariff lines and over 99.9% of bilateral trade between Canada and the U.S.), traders can claim preference under the CUSMA if they meet the Agreement’s rules of origin.”

The joint review is a formal mechanism for Parties to assess the agreement’s performance, propose updates and decide whether to extend its term (see [this blog by law firm McCarthy Thérault](#) for a more detailed guide on the joint review process). If any Party does not agree to extension, CUSMA remains in force, but annual joint reviews must take place until its expiry in 2036. This is separate from the ability of any Party to withdraw from the Agreement at any time.

## Key Issues for Culture

The following issues, which will be part of the joint review, are of particular relevance to cultural and creative industries:

### **Issue: Culture Exemption**

The culture exemption allows Canada to take measures to support and protect its cultural industries, while maintaining creators’ and businesses’ preferential treatments under the agreement. Losing the exemption for cultural industries in a new round of negotiations would have debilitating consequences for the creative industries, for the artists and creators who

work in them and for Canada’s cultural sovereignty. Chapter 32: Exceptions and General Provisions counterbalance the dominance of American cultural expressions in Canadian media and protect Canadian cultural sovereignty, as described in this [helpful description of the cultural exemption](#) by the CDCE.

The cultural sector has worked to ensure that the cultural exemption is retained, first in NAFTA and again in CUSMA. The exemption could be at risk in this review. The CDCE’s position is that “Without these instruments for protecting and promoting local content, Canadian culture would never have enjoyed the dynamism and excellence that it has enjoyed both at home and abroad.” The Canadian Centre for Policy Alternatives (CCPA) suggests the exemption could be strengthened by including performing arts, visual arts and crafts in the definition of creative industries. Further, the current definition could be updated to include more contemporary and anticipatory references to digital technologies or cloud computing.

### **Issue: Digital Goods and Media**

According to a White House Fact Sheet released in February 2025, the current United States Administration is [opposed to digital services taxes \(DSTs\)](#). The White House has stated: “America’s economy will not be a source of revenue for countries that have failed to cultivate economic success of their own.” Even though at [least seven other countries \(including the U.K., France and Italy\) have continued to collect their DSTs](#), Canada plans to rescind its DST legislation. Nevertheless, the *Online Streaming Act* and *Online News Act* are likely to be raised as contentious issues.

Digital production, streaming and cloud storage are not part of CUSMA. Further, the Agreement does not address technological developments of artificial intelligence (AI), interoperability and regulatory convergence in these areas. Prior trade reviews have suggested alignment of cybersecurity policies, intellectual property (IP) policies and telecommunication policies. This review is an opportunity to discuss the function of ongoing reforms to the *Broadcasting Act* and [legislative intents](#) from the *Online Streaming Act* to “ensure Canadian stories and music are widely available on streaming platforms to the benefit of future generations of artists and creators in Canada.”

Prior engagements of the Hub’s network revealed strong support for protecting creators and cultural expressions in the context of AI and emergence of advanced technologies. Chapter 19: Digital Trade can be used to ensure that Canadian creators can take advantage of online commercial opportunities, while also encouraging a trustworthy and fair digital business environment. Continued implementation of the *Online Streaming Act* by the Canadian Radio-television Telecommunication Commission (CRTC) supports these aims.

Additionally, as [advocated by the CDCE](#), it is important that no loopholes to the cultural exemption are created through provisions on digital trade or AI.

### **Issue: Indigenous Engagement and Exemptions**

The Government of Canada should include Indigenous perspectives in all steps of the review to ensure the outcomes are consistent with the economic and cultural priorities of First Nations, Inuit and Métis peoples.

The language in the preamble and the general exception allowing Canada to fulfill its legal obligations to Indigenous peoples can be strengthened. Inclusion of Indigenous economic principles focused on mutual benefit could disrupt patterns of Indigenous exclusion. Canada's First Nations, Métis, and Inuit peoples produce much more than arts, crafts and cultural goods and [deserve to be invited](#) into the joint review.

In his January 2026 [comments at the World Economic Forum](#) in Davos, Switzerland, the Prime Minister stated that middle powers like Canada are not powerless and “have the capacity to build a new order that embodies our values, like respect for human rights, sustainable development, solidarity, sovereignty, and territorial integrity of states.” Carney outlined a vision for an ambitious Canada that responds to present uncertainty with principled and pragmatic co-operation. He highlighted trade, investment and importantly, culture as the foundations that will help Canada and its allies navigate future uncertainty.

Indigenous thought leaders have responded to Carney's speech by highlighting the importance of their communities' contributions to processes and negotiations like the upcoming joint review. [Kerry Swanson reflected](#) on the Prime Ministers words at the recent Prime Time conference, saying: “When he talks about “the strong do what they can and the weak suffer what they must,” that has been the experience of Indigenous peoples in Canada. We can't walk away from that fact. We have to confront that head-on.” Artist and social justice advocate, [Christi Belcourt](#) added comments to social media: “[Prime Minister Carney] said the solution is to lean heavily into short term economic protections by going full force with resource extraction projects and making deals with countries outside the U.S. while turning a blind eye to human rights abuses.”

## What's Next?

The work outlined in Prime Minister Carney's speech at Davos is already underway: Carney has signed new agreements with ASEAN and Chile, and is planning for free trade agreements with India, UAE, Thailand and Mercosur (trading bloc including Argentina, Brazil, Paraguay, and Uruguay). Team Canada is heading to Mexico City and Guadalajara, Mexico from February 15 to 20, 2026 on a trade mission including a delegation focused on creative industries. Recently, Canada made an agreement-in-principle with the People's Republic of China, Canada's second largest trading partner, to settle long-stranding trade issues.

As for CUSMA, the department of Global Affairs will be publishing a report from its most recent consultations preparing for the joint review. The CCPA created [a set of speculative scenarios](#) to anticipate possible outcomes of the joint review. The Hub will continue to monitor how Canada's cultural policy objectives can be achieved through and in support of the country's trade relations. Expect the Hub to convene roundtables to discuss this issue further, including at the 2026 DemocracyXChange.