

Trump tariffs are inspiring Canada to tackle trade war from within

NOJOUD AL MALLEES > ECONOMICS REPORTER

PUBLISHED JANUARY 31, 2025

UPDATED YESTERDAY

FOR SUBSCRIBERS

220 COMMENTS

SHARE

SAVE FOR LATER

GIVE THIS ARTICLE

LISTEN TO THIS ARTICLE

Canada has long relied on a stable alliance with the United States to help ensure its prosperity. In the face of unpredictability to the south, this series examines barriers within and economic opportunities beyond.



Dave Longbottom, founder and majority owner of Flora Hall Brewing in Ottawa, on Jan. 31.

ASHLEY FRASER/THE GLOBE AND MAIL

Canadians who want to protest U.S. tariffs by purchasing local products face an ironic yet unfortunate reality: Buying Canadian isn't always so easy.

Interprovincial trade barriers, which hinder the movement of goods and workers within the country, are a decades-old aggravation for the economy. These hurdles can make it more challenging for Canadian businesses to sell their products to other parts of the country than to the United States. Even as Canada faces the prospect of [crippling U.S. tariffs](#), it is fighting another trade war – with itself.

“This has been going on forever and enough’s enough,” Ontario Premier [Doug Ford](#) told reporters last week after a meeting of the premiers, where they agreed to renew efforts to reduce internal trade barriers.

“Let’s sit down and come up with a list, because everyone wants to protect something – no matter if it’s the dairy cow in Newfoundland, or the wine in B.C., or ourselves – everyone’s guilty,” he added.

Consumers are confronted by these roadblocks every day. A craft brewery in [Quebec](#) can’t sell its beer directly to a nearby restaurant in Ottawa. An engineer in New Brunswick has to get licensed in neighbouring Nova Scotia before practising there. A truck driver in British Columbia can only drive certain truck configurations at night but must do so during the day in Alberta – leaving a narrower time frame to make an interprovincial trek.

Taken together, these barriers are constraining Canada’s economic potential. Research shows that tearing them down would give the economy a sizable boost – perhaps enough to offset the hit from steep U.S. tariffs.

No wonder domestic trade liberalization is climbing up the national agenda as a priority. As Canada looks to bolster its economic resilience, politicians and business leaders point to interprovincial trade as an obvious area for reform that could deliver quick results, blunting the devastation from a trade war with the U.S.

Still, the country has been down this path before. Policy-makers talk a big game on interprovincial trade reform, only for it to slip down the list of priorities. And there are untold numbers of stakeholders who want to maintain Byzantine rules that vary from province to province.

Lately, however, there is growing urgency to change course. As protectionism spreads through the global [economy](#), it may be time to bolster free trade within Canada.

Some barriers, such as agricultural supply management, exist to protect local interests, but many are unintentional protectionism stemming from divisions of power between Ottawa and the provinces and territories. Regulatory and administrative differences make it challenging for businesses to operate and Canadians to work in several jurisdictions.

University of Calgary economics professor Trevor Tombe called Canada “perhaps the most decentralized federation on Earth.” Tackling these barriers would require “ceding a little bit of sovereignty that provinces have,” he said in an interview.

Indeed, Canada's legal system has reaffirmed the rights of provinces and territories to impose regulations that may stifle the free flow of goods, despite a constitutional provision that suggests otherwise.

The Supreme Court in 2018 upheld a fine against New Brunswicker Gerard Comeau for bringing beer from Quebec back home, ruling New Brunswick is within its rights to control the supply of liquor even if it impedes on trade. The unanimous decision was made despite Section 121 the Constitution Act of 1867, which says goods must be "admitted free" as they move from one province to another.

"What it comes down to is Canada is a federal state and the [Supreme Court](#) – very wary – wanting to leave space for the provinces to regulate in light of local concerns," said Ryan Manucha, an interprovincial trade researcher.

Mr. Comeau's case inspired two breweries on opposite sides of the Ottawa River, which divides Ontario and Quebec, to collaborate on a beer named after the New Brunswicker. Flora Hall Brewing in Ottawa and Brasserie du Bas-Canada in Gatineau, Que., circumvented provincial liquor laws, which restrict out-of-province sales, by sending a brewer to each other's establishments to make the same beer.

The breweries were hoping their special creation would make a point about internal barriers, but seven years later, not much has changed.

The provinces agreed in 2018 to increase the personal exemption limit for interprovincial liquor sales, allowing people to bring back more booze from another jurisdiction. But David Longbottom, the owner of Flora Hall Brewing, said it's still challenging for his brewery to sell beer in Quebec and vice versa.

"To allow us to drive across the border and sell direct to restaurants in Quebec, and have Quebec brewers drive across the border and sell direct to restaurants in Ontario, that would be an enormous benefit to small producers of beer," Mr. Longbottom said in an interview.

Other parts of the country have made some progress on liberalizing alcohol sales. As of Jan. 6, Albertans can buy wine directly from wineries in B.C., thanks to an agreement struck between the two provinces. Mr. Longbottom said that while a deal is a positive development, the narrowness of the agreement shows how reluctant provinces are to unleash true free trade within Canada.

In addition to limiting consumers' choices, internal barriers stifle productivity by blocking the reallocation of investment and employment toward bigger, more productive companies that could serve a larger market.

A 2019 paper published by the International Monetary Fund and co-authored by Prof. Tombe found that Canada's internal trade barriers – excluding those related to geography, such as challenges with transporting goods across a country this large – were equivalent to an average tariff of 21 per cent in 2015. The tariff-equivalent of barriers with the United States are estimated to be much lower.

The study found that lifting all internal barriers would result in 4-per-cent growth in Canada's real gross domestic product per capita.

Recent modelling from the [Bank of Canada](#) suggests if the U.S. were to implement 25-per cent-tariffs on all imports, and the country's trading partners retaliated with tariffs of the same magnitude, Canada's real GDP growth could be up to three percentage points lower within a year.

"You should think about interprovincial trade costs as basically the same magnitude as the disruptions that would result from U.S. tariffs or more," said Prof. Tombe, adding the 4-per-cent estimate doesn't include the economic impact of barriers to delivering services between provinces.

Governments have made numerous attempts over the years to chip away at interprovincial barriers, including the Agreement on Internal Trade enacted in 1995, which turned into the Canada Free Trade Agreement (CFTA) in 2017.

That agreement, signed by the federal, provincial and territorial governments, aims to eliminate and reduce barriers, but it gives the governments flexibility to name exemptions. Provinces would likely favour keeping some barriers in place for political and practical reasons. For example, language and cultural barriers are listed exemptions.

The agreement has a dispute resolution mechanism that allows businesses and governments to bring forward cases against a government that contravenes the agreement. It also establishes a regulatory reconciliation process that works to eliminate barriers by identifying regulatory divergences and reconciling the differences.

The CFTA has been lauded for creating a path toward dismantling barriers. But Prof. Tombe said progress has been slow because it requires provinces to agree on how to resolve regulatory differences. As for dispute resolution, Mr. Manucha said it's still difficult for small and medium-sized businesses to mount challenges.

The Committee on Internal Trade, made up of federal and provincial officials who supervise the implementation of the CFTA, held an emergency meeting on Friday to discuss how to improve the deal. Internal Trade Minister Anita Anand said the committee will present recommendations to premiers and the Prime Minister on reducing the number of exemptions in the CFTA and having provinces mutually recognize more regulations. For its part, Ottawa is looking at reducing federal exemptions in financial services and procurement.

"We need to take action now to address barriers to internal trade in goods and services that can grow our economy without going through Donald Trump," Ms. Anand said in an interview.

Harmonizing all regulations across provinces would be daunting, if not impossible. Prof. Tombe said provinces have a much simpler option: mutually recognize regulatory standards and credentials from other jurisdictions.

Last fall, Ottawa announced a pilot project that would see provinces mutually recognize trucking standards, even when differences exist. Prof. Tombe said varying trucking standards across provinces have cascading effects throughout the economy, since most goods are transported by truck.

The Ontario government took the same approach in January, 2023, when it announced "as of right rules" that permit health care workers registered in other provinces to immediately start working. That move, however, sparked pushback from the Ontario Nurses' Association, a controversy that highlighted how dismantling barriers can spark backlash from interest groups and stakeholders.

On Thursday, Canadian Labour Congress president Bea Bruske dismissed the impact of internal barriers on labour mobility and said the focus should be on international trade in light of U.S. tariffs.

"We think that this is an opportunity that big business is using to really push deregulation and to look at cuts to red tape that they would like that create other issues for labour," Ms. Bruske told reporters in a news conference.

Still, the recent chatter about internal barriers has inspired hope that governments may make some more progress. Matthew Holmes, chief of public policy at the Canadian Chamber of Commerce, said he's optimistic about the renewed ambition from across the political spectrum.

"We can continue to be closed and protect all of these individual little toddlers in their sandbox, or we can trade with each other and actually grow the pie," Mr. Holmes said. "Everybody benefits when the economy gets bigger. And that's the bigger vision that we need to have on this."

<https://www.theglobeandmail.com/business/article-trump-threats-are-inspiring-canada-to-tackle-trade-war-from-within/>

The asinine barriers to interprovincial trade have long been known. As a teacher who has had to register in five provinces and one territory, I should know. As a psychologist, social worker, and counsellor, I got crippled caught up in the pathetic world of those professional colleges. For instance, when I went to Alberta to do "social work" in family school liaison, I was, with three degrees (including a graduate one) and an almost-decade of demonstrated competence performing similar work in Saskatchewan, granted RSW status with Clinical Authorization as the ASW was sorting out its professional landscape. (However, no MSW managers, I think, would hire me (with an M.Ed.) for clinical work.) But when I returned to SK, I was refused RSW status because I did not have a BSW. I had practiced in SK as an Educational Psychologist (after a grad school of mostly counsellor training with some psych assessment) for almost six years in a very demanding context, but the newly-formed Saskatchewan College of Psychologists (SCP) refused to give me standing as well. (Now they charge members \$1000 per year in fees pretending to prop up and promote perhaps the most overblown profession there is other than psychiatry.) I could go on. We could look at the farce regulation of doctors in this country with entrenched vested interests preventing any progress. But do you think all the ideologues clamoring for political power in the provinces are willing to give up supposed control over professions to—gasp—a federal agency? Would all the bureaucrats invested in their jobs cooperate? Further, see into the mindsets of those on either side of the labor management divide, union or management, and you run into relentless machinations for getting more from "the adversary" while giving less oneself. People give lip service to "the bigger picture" but in the end none will place their fate in it at risk of self-sacrifice or trust in the good will and commitment of everyone—anyone—else. Woe betide poor Canada ripe for divide and conquer!

Buy Canadian! Look for "Made in China" if you can't find "Made in Canada." The Americans are making the Chinese look good. Democratic and human rights tenets can be asked of the US, but they fit China scarcely at all. TJB