

Canadian economy**Donald Trump's threats push Canada to bulldoze its byzantine internal trade barriers**

Prime Minister Mark Carney bets more domestic commerce can help compensate for US levies



Mark Carney, left, and Chrystia Freeland © FT montage; AFP/Getty Images

Ilya Gridneff in Toronto

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Donald Trump may have done Canada a favour. By imposing sweeping tariffs on his northern neighbour — and threatening to annex it — the US president has given Ottawa the impetus to dismantle the entrenched internal trade barriers that undermine its economy.

The overhaul, described by economists as an “economic renaissance”, aims to remove the quotas, taxes and competing standards that inhibit the free flow of goods and labour between [Canada](#)’s 10 provinces and three territories, costing the nation billions.

“If a sausage is safe to eat and be served in Nova Scotia, it should be OK to sell that very same sausage in Saskatoon,” internal trade minister Chrystia Freeland told the Financial Times.

She has been tasked with untangling these inefficiencies, professional fiefdoms and technical hurdles by Canada Day on July 1.

Many attempts to crack internal trade have failed as regional interests have long lobbied to keep protections for their local industries.

“Those barriers are all there for a reason. There is a lobby behind each single one,” Freeland added.

Her efforts were further complicated after Trump on Friday said he was [halting trade talks](#) with Canada in protest over its proposed tax on Silicon Valley tech groups, and threatened to unilaterally set a new tariff rate on the country within a week.

The US president’s threat adds to the urgency of unblocking internal trade — one of the central pillars of Prime Minister [Mark Carney](#)’s ambition to build “the strongest economy in the G7” and insulate Canada from Trump’s tariffs.

A 2019 IMF study found that lifting these internal trade barriers could add 4 per cent to Canada’s per capita GDP. Research in 2017 by Statistics Canada found the impact of the inefficiencies was equivalent to a 6.9 per cent tariff on goods.



Chrystia Freeland: ‘We want to make it as easy to be doing business with Manitoba as it has been in Ontario to drive across the river to do business in Detroit’ © Kevin Dietsch/Getty Images

Canada's new government on June 20 passed the "One Canadian Economy" law that it says will help goods, services, workers and businesses move more freely across provinces and territories.

Ontario winemaker André Proulx, co-owner of 80x Wine Company, hopes the reforms would make it easier for him to sell his wine in other parts of the country.

Proulx said bottles of wines that retail for C\$22 (US\$16) locally cost about C\$40 in other provinces due to cross-border mark-ups and taxes.

He highlighted the country's numerous liquor licensing boards "putting their hands in your pocket". "It should be flying off the shelves for high-quality wine at a good price but [because of the barriers] we can't compete against Chile or France or New Zealand."

Proulx hopes the reforms will mean that he no longer has to be a "criminal who smuggles wine" to his home town in Saskatchewan.



André Proulx: 'These laws and regulations date back to prohibition days' © André Proulx

The barriers are deeply rooted in Canada's 1867 constitution that gives each province broad powers over local commerce, professional and trade bodies and licensing.

These have been reinforced by judicial decisions over time. In 2018, the Supreme Court ruled there was "no constitutional guarantee of free trade" within Canada, in a landmark case over 14 cases of beer crossing the Quebec border into New Brunswick.

“These laws and regulations date back to prohibition days, the laws are more than 100 years old,” Proulx said. “It’s been so slow to adapt as there’s never been any political will from any political party to change it.”

Freeland, a former FT journalist who was given the internal trade file after losing a party leadership race to Carney, said last year more than C\$530bn worth of goods and services moved between provinces, almost 20 per cent of the country’s GDP.

But more than three quarters of Canada’s trade is with the US, worth more than C\$1.3tn every year, according to official data.

In the wake of Trump’s devastating tariffs on steel, aluminium and the automotive sector, Canada wants to boost internal trade to compensate for losses from the US levies.

“We want to make it as easy to be doing business with Manitoba as it has been in Ontario to drive across the river to do business in Detroit,” Freeland said.

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Trade between provinces has fallen in recent decades

Inter-provincial trade as % of total trade

By province, hover for details



Frances Donald, chief economist at the Royal Bank of Canada, said cutting internal trade barriers was complicated but it might launch “an economic renaissance in Canada”.

Ontario premier [Doug Ford](#) said the US president was a “wake-up call” to get Canada’s economic house in order.

Ontario, home to 16mn people and contributing 38 per cent of Canada’s [GDP](#), would be the hardest hit by Trump’s tariffs, [according](#) to Oxford Economics.

Ford has signed six nonbinding memorandums of understanding with other provinces to drop barriers and recognise professional standards in an effort to improve trade.

“Dentists can come, engineers can come. Anyone that’s certified a designation can come,” he told the FT.

Industry groups have made their own efforts to streamline the bureaucracy. Last September, the Canadian Trucking Alliance, with support from provincial governments, launched a pilot project to streamline requirements for things such as permits, record keeping and even the first-aid kits and tools trucks need to carry.

Earlier this month, six leading business leaders urged Carney to press ahead with lifting internal barriers, which they said “could see household income and wages increase nationally by 5 and 5.5 per cent”.

But successive efforts to unlock internal trade have not fully paid off. The business leaders’ push echoes a similar effort in 2018.

That followed the 2017 Canadian Free Trade Agreement, which was intended to achieve “a modern and competitive economic union”. But it also added 56 “exceptions” to protect industries such as forestry, real estate services, mining, agriculture, fisheries, energy and alcohol.

The federal government earlier this year reduced the number of exceptions to 19.

Freeland said that despite there being “a high-level intellectual consensus” to improve internal trade, “political agreement” was a much tougher challenge.

Even as Carney’s government pushes to eliminate trade barriers, it has also passed legislation that strengthens a quota system for eggs, dairy and poultry. The measures, pushed by the province of Quebec to protect local farmers, were labelled “a disgrace” by Trump during his first presidency in 2017.

But Freeland believes the hostilities from south of the border mean Canada’s new found patriotism can be turned into prosperity.

“Right now, kind of miraculously, the whole country is aligned on this.”

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