

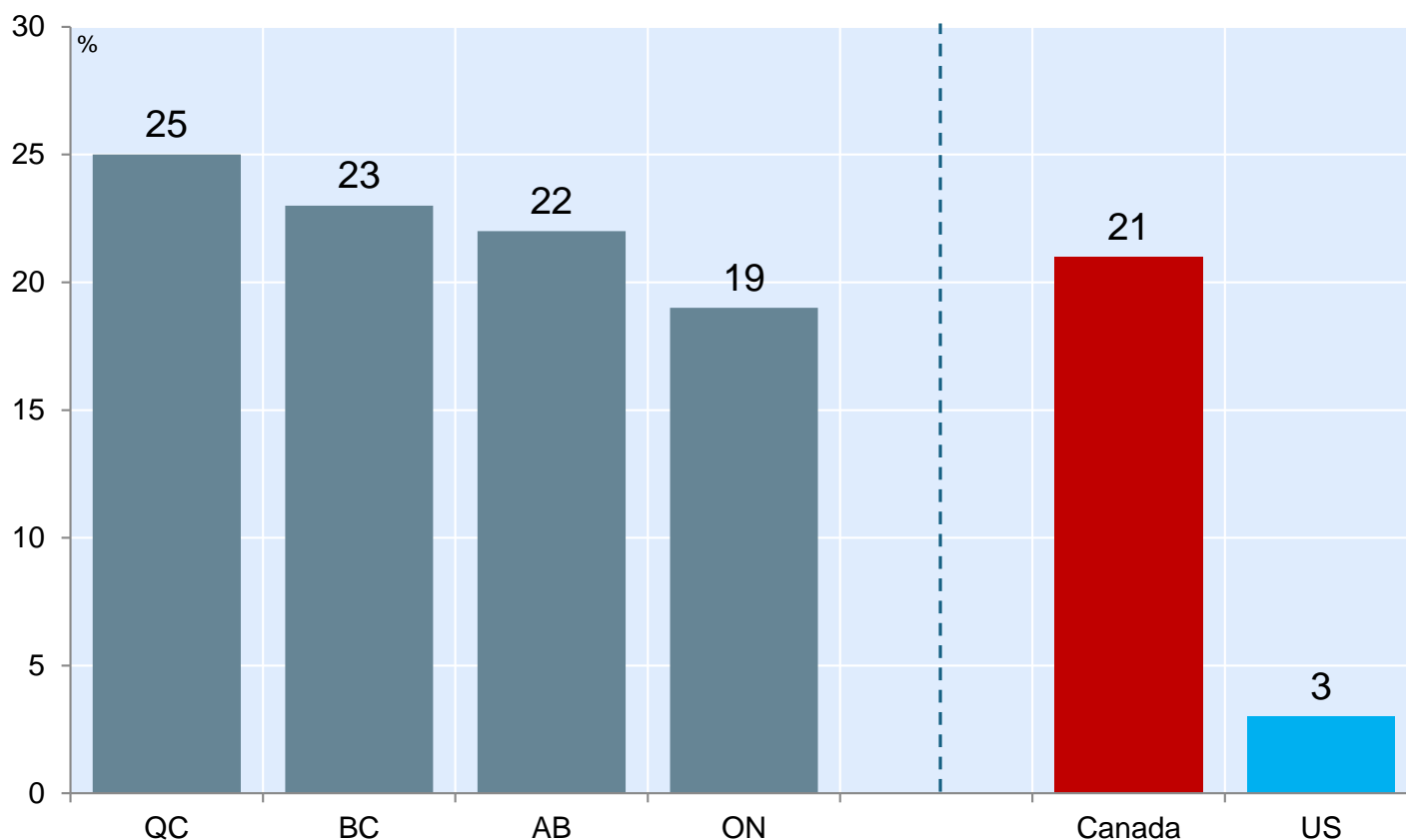
Canada Watch

By Stéfane Marion

As Canadians grow increasingly concerned about the prospect of a tariff war with the U.S., it's worth reflecting on the following: Since Canada signed its first free trade agreement with the United States in 1989, it has entered into free trade agreements with over 40 countries. However, progress in liberalizing internal trade within Canada has been slow. In many cases, international trade agreements have given foreign companies better access to Canadian markets than Canadian businesses themselves. Unsurprisingly, interprovincial trade has declined relative to international trade (from 50% to 40%). A 2019 IMF [study](#)—widely regarded as the most comprehensive analysis of internal trade barriers—estimated the average tariff equivalent of non-geographic internal trade barriers in Canada at 21%. As today's Hot Chart shows, this is significantly higher than the 3% that these same barriers impose on the U.S. According to the IMF, removing these barriers could boost interprovincial trade volumes to levels comparable with international trade. Such reforms could also make Canada more attractive to investors by providing easier access to the entire domestic market. One potential approach to accelerating progress is a “coalition of the willing” among provinces. This is especially critical given the ongoing decline in Canada's manufacturing sector (see [here](#)). As Daniel Schwanen, Senior VP at the C.D. Howe Institute, pointed out to us, the removal of internal trade barriers could raise Canada's standard of living and increase GDP per capita by an estimated 3.8% across the country. It's time to stop scoring own goals and start unlocking our full economic potential.

Canada: A playbook for scoring on your own goal

Average tariff equivalent for non-geographic trade barriers: Canada, its 4 largest provinces and vs. the U.S.



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