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From: Glen Hodgson and Colin Busby
To: Canadian Economy Observers
Re: CANADA'S TARIFF PROBLEM MADE IN CANADA

Canada is furious about Donald Trump's tariffs – and rightly so.

But while Ottawa and the premiers have spent months railing against American protectionism, they have had a hard time addressing a more embarrassing truth: Canadian governments have been imposing figurative “tariffs” on ourselves for decades. They're called internal trade barriers and fixing them is entirely within our control if we choose to act.

The patchwork of provincial regulations, licensing restrictions, and procurement rules fragmenting Canada's domestic market make it difficult to do business across provincial borders. In some sectors – healthcare and education chief among them – the cost from restrictions on the mobility of workers causes major economic damage.

These are barriers that Canadian governments allow to exist, and that Canadian governments can tear down. Unlike US trade policy, this problem does not require Washington's cooperation, or a favourable ruling from the US Supreme Court.

It requires premiers and a federal government willing to act against narrow provincial views and interests.

The barriers are everywhere, and their absurdity compounds with each example. A nurse licensed in Ontario cannot easily work in British Columbia. Although Red Seal certification has helped, some certified contractor in one province may still need to requalify to work next door. A craft brewery in Quebec cannot ship directly to a customer in Alberta. Engineers, teachers, financial advisers – nearly every regulated profession carries a licensing regime that stops at a provincial border for no reason that reflects modern economic reality.

Procurement rules, product standards, and financial regulations further divide what should be a single market of over 40 million consumers. These restrictions exist not because they make Canadians safer or wealthier, but because they protect incumbents, entrench bureaucratic turf, and spare governments the political discomfort of reform. The federal government passed the *Free Trade and Labour Mobility in Canada Act* last June – a meaningful step, and a reminder of how long this has been neglected. But Parliament and the government can go only so far. The heaviest lifting belongs to the premiers, and until recently their track record on this file was a graveyard of summits, communiqués, and broken promises, from which it seems hard to dig themselves out of.

Internal trade is not the only lever Canadians control. The federal government's new Defence Industrial Strategy – announced in February – is a clear-eyed example of choosing to invest in domestic capacity rather than depending on others. Rebuilding defence procurement, innovation, and export capability creates industrial depth that will outlast any single trade dispute. One challenge will be to ensure that new investments are allocated according to the needs for increased military capabilities rather than regional political considerations, another form of barrier.

Equally important is competition policy. Reducing barriers to entry, where desirable, would improve productivity and put money back in the pockets of households already squeezed by years of inflation. Canada's Competition Bureau, in a recently released study on the economic benefits of pro-competitive reforms in Canada, identified several possible reforms that are within the ambit of provincial governments to act on.

None of this requires a trade deal. It requires political will.

While progress has been made – interprovincial alcohol sales, provincial building code harmonization with the National code, mutual recognition agreements – other needed reforms, for example regarding barriers to trucking across Canada – have not come close to what the moment demands. Every exemption, every carve-out, every deferred commitment is a quiet act of economic self-sabotage at precisely the time Canada needs to be growing from within.

The federal government should stop treating needed internal trade reform as a long-term aspiration and start enforcing it as a crisis response. That means using the range of federal powers available and sunseting existing exemptions on a fixed legislative clock, strengthening dispute resolution with binding implementation, and establishing an internal trade liberalization fund to manage the adjustment costs that provinces use as an excuse for delay. The premiers need to be held to account – publicly, with timelines.

Donald Trump's trade war will eventually go away. Canada's internal tariff wall will not, unless we choose to take it down. The growth we are leaving on the table does not require a negotiation with the White House. It requires a harder conversation among Canadians – about who our internal trade barriers protect, and whether we can still afford to let them stand.

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