Centre for Productivity and Prosperity
Walter J. Somers Foundation
HEC MONTRÉAL

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**Press Release**

Productivity: the key to a strong, resilient domestic market

Montreal, May 22, 2025 – Faced with the renewed surge in American protectionism, the Centre for Productivity and Prosperity – Walter J. Somers Foundation (CPP) has now published *Productivity: the key to a strong, resilient domestic market*. Its main finding is categorical: Canada's structural productivity deficit is drastically limiting its room to manoeuvre in efforts to counter American tariffs.

"Because it was unable to make corrections 15 years ago, when the warning signs were flashing, Canada is now exposed to mounting American protectionism, since its sizeable structural productivity deficit limits its opportunities to develop new markets, both internationally and domestically," says Robert Gagné, CPP Director and co-author of the study. "And regardless of what we hear, tearing down barriers to interprovincial trade will not be enough to offset the impact of threatened US tariffs."

Since the US tariffs were announced, widespread media reports have suggested that interprovincial trade barriers are equivalent to an estimated 25% tariff or a loss of $5,100 in Canadians' per capita standard of living. According to HEC Montréal researchers, however, these estimates are probably exaggerated. "Even if all regulatory obstacles in the country could be eliminated, it would be unrealistic to hope for a 6.9% increase in the standard of living in Canada," explains Jonathan Deslauriers, CPP Executive Director and co-author of the study. "Because essentially, the true barriers to interprovincial trade are structural in nature. They have to do with the distances between regional markets and businesses' inability to overcome them, owing to their poor productivity."

To solve this dilemma, Canada as a whole will have to stimulate private investment and open up the domestic market in order to spur competition. Rather than dithering over a problem that should have been corrected thirty years ago by implementing the principle of mutual recognition to ensure the free movement of products despite the lack of harmonization of provincial standards, the provinces will have to get to the root of the country's endemic productivity lag to improve the resilience of the domestic market, and thus enable Canadian companies to cross the borders of their local market. "In such a context, it becomes essential to strengthen trade routes from east to west by investing massively in transportation infrastructure. The announcement of an HSR between Quebec City and Toronto is a step in the right direction. However, concrete efforts must be made and electoral promises fulfilled quickly," adds Gagné.

For more details, see: Productivity: the key to a strong, resilient domestic market.

**About the Centre for Productivity and Prosperity – Walter J. Somers Foundation**

The Centre for Productivity and Prosperity – Walter J. Somers Foundation has a twofold mission. It is devoted to research on productivity and prosperity, mainly in Quebec. It also shares its research findings through knowledge transfer and educational activities.

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**About the Walter J. Somers Foundation**

The Somers family established the Walter J. Somers Foundation in tribute to the founder of the Walter Group. Through different donations, the Foundation pursues the family heritage of commitment to the community and contributes to the prosperity of Quebec society, firstly by helping to enhance its productivity but also by supporting excellence in youth education.

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