

The Evolution of Canadian Economic Policy: From Trudeau to Carney, Under Trump's Pressure

by Pierre Vercaeil — Updated Edition 2025–2026

Hello everyone and welcome to a new episode of EconoMag. Today we take a closer look at a country whose economic and political news has rarely been as intense as it is today: Canada.

Since our last episode devoted to the arrival of Justin Trudeau in power in 2015, the country has gone through ten turbulent years and now finds itself at a historic turning point, facing a threat coming from its largest neighbor and trading partner: the United States.

A Solid Economy, but Increasingly Fragile

In 2024, Canada ranks as the ninth-largest economy in the world, with a GDP of around \$2.24 trillion. In 2025, GDP growth is estimated at 1.2% according to the IMF, with GDP per capita reaching \$54,935.

At first glance these figures appear respectable, but they conceal worrying structural weaknesses.

Since the early 2000s, labor productivity growth in Canadian companies has been less than half that observed in the United States—a gap that has widened further since the pandemic.

Canada's real GDP per capita remains below its pre-pandemic level, while business investment in non-residential equipment is still almost 9% below pre-Covid levels.

These challenges are compounded by well-identified structural weaknesses: underinvestment in digital technologies and artificial intelligence, a relatively low level of economic digitalization, and insufficient competition in key sectors such as telecommunications.

Business investment in research and development represents only 1% of Canada's GDP, compared with around 2% on average across OECD countries.

The Trudeau Record: A Decade of Interventionism

When Justin Trudeau came to power in November 2015, he promised an interventionist economic policy financed through public debt in order to revive an economy weakened by the collapse in oil prices.

That promise was largely fulfilled. Significant investments were made in infrastructure, social policies, and the energy transition.

By 2024, the labor market had created 330,000 jobs during the year, real wages were 5% higher than before the pandemic, and inflation had returned to around 2%.

However, the fiscal legacy is heavy. Canada's gross public debt reached 107% of GDP at the end of 2023, although the net debt ratio remains among the lowest in the G7 at 14.4%.

Meanwhile, the unemployment rate, which had fallen to a low of 5% in early 2023, rose again to 6.8% in November 2024, partly due to the difficulties faced by young people and recent immigrants in entering the labor market.

2025: Mark Carney and a Historic Election

The resignation of Justin Trudeau in early 2025, after ten years in power, opened a new political chapter.

Mark Carney was chosen as leader of the Liberal Party on March 9, 2025, and was sworn in as Prime Minister on March 14.

He immediately called early parliamentary elections, which he won on April 28, 2025, securing 169 seats—25 more than the Conservatives.

This outcome surprised many observers, as only a few months earlier the Liberal Party had been trailing by more than 20 points in opinion polls.

This dramatic turnaround can largely be explained by an external factor: the trade war initiated by Donald Trump and his repeated threats to turn Canada into the "51st American state."

These statements triggered a strong wave of Canadian patriotism, which helped revive support for the ruling party.

Mark Carney, the former Governor of the Bank of Canada and Governor of the Bank of England, convinced voters worried about the country's economic future and sovereignty that he was the right person to guide Canada through these uncertain times.

The Trade War with the United States: A New Reality

Canada has not experienced such economic pressure from its southern neighbor in decades.

Tariffs of 25% on steel, aluminum, and cars not manufactured in the United States remain in place, while other tariffs have been temporarily suspended for 90 days.

The consequences are already visible. Between February and August 2025, Canada lost 107,000 jobs, 64% of them in manufacturing, transportation, and warehousing.

The province of Ontario, whose economy is heavily dependent on trade with the United States—particularly in the automotive industry—lost 66,000 jobs during this period.

Carney's Response: A Historic Economic Transformation

In response to these pressures, Mark Carney has promised to launch the largest transformation of the Canadian economy since the end of the Second World War, aiming to build a country capable of confronting the economic pressure of Trump's United States.

His strategy is built on three main pillars:

- Maintaining retaliatory tariffs on American products as long as Washington's measures remain in place.
- Eliminating trade barriers between Canadian provinces by July 1, 2025 in order to strengthen the domestic market.
- Developing new trade partnerships with reliable allies, particularly in Europe.

Economic growth in Canada is expected to gradually strengthen, rising from around 0.75% in the second half of 2025 to an average of 1.4% in 2026 and 2027.

However, deeper structural issues remain, including underinvestment in transportation infrastructure, low digitalization of the economy, and insufficient competition in key sectors.

Conclusion

In many ways, Canada in 2025 resembles Canada in 2015: faced with a major economic disruption, it has chosen an interventionist Liberal government to respond.

But the environment is radically different.

The threat no longer comes from the collapse of oil prices but from a trading partner that has become unpredictable.

As Mark Carney himself stated: *"It is clear that the United States is no longer a reliable partner."*

For Canada, the challenge now is to reinvent its economic model—one that is less dependent on its southern neighbor, more rooted in its own strengths, and oriented toward new international partnerships.

A colossal challenge—but also a historic opportunity for transformation.

Join us for the next episode of EconoMag!

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Vocabulary :

Canada – Canada

Economic policy – Politique économique

GDP – PIB (Produit Intérieur Brut)

GDP per capita – PIB par habitant

Labor productivity – Productivité du travail

Business investment – Investissement des entreprises

Digitalization – Numérisation / digitalisation

Artificial intelligence – Intelligence artificielle

Public debt – Dette publique

Gross public debt – Dette publique brute

Net debt – Dette nette

Inflation – Inflation

Unemployment rate – Taux de chômage

Liberal Party – Parti libéral

Prime Minister – Premier ministre

Mark Carney – Mark Carney (économiste et politicien canadien)

Justin Trudeau – Justin Trudeau (ancien Premier ministre du Canada)

Trade war – Guerre commerciale

United States – États-Unis

Tariffs – Tarifs douaniers / taxes à l'importation

Steel, aluminum, cars – Acier, aluminium, voitures

Manufacturing sector – Secteur manufacturier

Transportation infrastructure – Infrastructures de transport

Domestic market – Marché intérieur

Trade partnerships – Partenariats commerciaux

Economic growth – Croissance économique

Structural weaknesses – Faiblesses structurelles

Economic disruption – Perturbation économique

Sovereignty – Souveraineté

International alliances – Alliances internationales