

Intelligence MEMOS



From: Michael Gullo, Michelle Eaton, Daniel Schwanen
To: Canadians Concerned About Prosperity
Date: March 21, 2022
Re: **LET'S STOP OUR INTER-PROVINCIAL ECONOMIC FRICTION**

If we can find a small silver lining in the COVID-19 pandemic, it has been the increased collaboration between orders of government; in particular, the federal government and its provincial and territorial counterparts.

Fostering this collaboration is critical to our recovery. If governments turn their collective will towards removing interprovincial trade and regulatory barriers, Canada could usher in a new period of domestic prosperity just when we need it most.

The lack of consistent or harmonized regulation across provinces and territories not only harms productivity but costs Canadians money. Barriers to interprovincial trade make it difficult for businesses to raise capital and take advantage of domestic economies of scale, limiting their growth. In 2017, Statistics Canada [estimated](#) the amount of economic activity restricted by non-tariff trade barriers was tantamount to having a 7-percent tariff on interprovincial trade. This means goods in Canada cost 7 percent more than they need to. At a time of rising inflation, trade barriers add an extra unnecessary expense to Canadians' cost of living.

By taking action on interprovincial trade, we could help domestic businesses meet consumers' demand for Canadian products. The pandemic – and trends that preceded it – have limited access to some international markets, which means that Canadian companies, especially smaller ones, will need to be able to depend on a reliable internal market.

Workers are also harmed by interprovincial trade barriers. Differences in professional licensing and certification requirements mean labour mobility is unnecessarily curtailed. There is no reason why a skilled tradesperson or professional trained or possessing relevant experience in one province or territory should face administrative barriers making it more difficult to work in another. As Canada's workforce continues to age, and our labour challenges worsen, policymakers need to quickly identify solutions to support the free flow of talent and labour across Canada's internal borders.

When it comes to alcohol, provincial regulations continue to prohibit wineries and other producers from shipping products to other provinces and territories. Removing these restrictions would create new markets for local producers. It is possible to liberalize trade between all provinces and territories while also respecting differential provincial taxes and regulations, yielding benefits for domestic producers and governments alike.

We have seen uneven progress on removing unnecessary differences in trucking regulations, which raise the cost of all goods, and on enabling Canadians to register their businesses more easily in each province. The job is far from done. New barriers risk going up as, for example, different rules concerning online privacy start applying in different provinces.

One province that has the ability to make a big difference in breaking down trade barriers is Ontario. The province should continue supporting the work of the Regulatory Reconciliation and Cooperation Table established under the 2017 Canadian Free Trade Agreement, but the urgency of the moment means that now is the time to pursue a bolder approach in parallel. We urge the government of Ontario to consider joining the [New West Partnership Trade Agreement](#). Joining this agreement would link the largest economy in the country with Western Canada, unlocking an unprecedented number of business and work opportunities for millions of Canadians.

In the 1990s, Australia and New Zealand agreed to mutually recognize compliance with each other's laws for the sale of goods and the registration of occupations, subject to limited exceptions. Canadian provinces and territories could similarly consider unilaterally declaring they will recognize the adequacy of standards used elsewhere in Canada, or pursue similar mutual recognition agreements with others. Such leadership could kick-start the essential move towards removing the tyranny of small regulatory differences within Canada, lowering costs for consumers and businesses alike and fuelling growth for the country's pandemic recovery.

Freeing interprovincial movement of goods and people will require a renewed focus on collaboration to avoid jeopardizing the progress already made. The importance of maintaining an open economy is only heightened when considered against the backdrop of growing international protectionist policies. Canada needs to make concerted, coordinated attempts to reduce internal barriers to trade – rather than erect new ones. And now is the time.

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