Elimination of Interprovincial Trade Barriers

Issue

The Government of Alberta estimates that internal trade barriers cost the Canadian economy as much as $14 billion per year.[1]

As explicit tariffs between the provinces are strictly prohibited under Section 121 of *The Constitution Act of 1867*, most interprovincial barriers are the result of differing rules, regulations, licensing requirements and regional programs. These internal trade barriers are enforced by provincial legislation that attempts to protect local interests at the expense of open competition.

To address these concerns, an *Agreement on Internal Trade* (AIT) was signed by the provinces in 1995. The objective of this agreement is for "parties to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services and investment in Canada, and to establish an open, efficient and stable market."[2]

Calgary Chamber of Commerce Position

The Calgary Chamber of Commerce is a strong proponent of reducing interprovincial trade barriers and moving forward with the AIT, but recognizes the challenge to reach consensus among all provinces and territories.

Consequently, the Chamber has been a strong proponent of the British Columbia-Alberta *Trade, Investment, and Labour Mobility Agreement* (TILMA). The agreement, fully implemented in April 2009, eliminates all barriers to trade between the two provinces, creating the second largest economic region in Canada. It has a robust dispute resolution process, is legally enforceable and contains fiscal penalties for non-compliance, making it more effective than the AIT.

Following implementation of TILMA, Saskatchewan signed the Western Economic Partnership with Alberta and B.C. This agreement promises to continue along the path of trade liberalization. While these piecemeal approaches are the best alternative in the short-term, a longer-term approach incorporating all provinces and territories led by the federal government is needed.

Eliminating interprovincial trade barriers is a vital part of creating an efficient and streamlined business environment in which Canadian firms can flourish. Internal barriers, just like international trade barriers, only decrease trade and economic opportunity between provinces, encourage regional disparities and undermine incomes, productivity and competitiveness. They represent a significant cost to doing business, and need to be eliminated.

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[1] Government of Alberta. 2008. "FAQ's on the Agreement on Internal Trade (AIT)". Available online: http://www.international.alberta.ca/658.cfm

[2] Government of Canada. 2007. "Agreement on Internal Trade: Consolidated Version". Available online: http://www.ic.gc.ca/eic/site/ait-aci.nsf/vwapj/AIT_agreement_2007-05_en.pdf/$FILE/AIT_agreement_2007-05_en.pdf

Policy Recommendations

The Calgary Chamber of Commerce recommends that the Government of Alberta:

1. As an immediate step, encourage expansion of the *Trade, Investment, and Labour Mobility Agreement* (TILMA) to other provinces and territories.

2. Encourage the federal government to replace the AIT with a new national agreement to reduce and remove barriers to trade, investment and labour mobility. The agreement must:
    - Involve all sectors and jurisdictions, and include government bodies, ministries, crown corporations and regional and local governments.
    - Adjust the threshold to alter the agreement to a more functional level (e.g. 60 per cent approval).
    - Institute a dispute resolution mechanism that can be referred to an arbitration panel with binding and enforceable powers and contain significant fines for non-compliance.

3. As an interim step, work with other provinces and territories to eliminate the remaining interprovincial trade barriers through the Agreement on Internal Trade (AIT) process.