



2010 ALBERTA CHAMBERS OF COMMERCE RESOLUTION Elimination of Interprovincial Trade Barriers

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, territories and federal government in 1994. 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

The AIT is a commitment to agree to fairer trade in principle. However, it has several drawbacks. The agreement only applies to a limited number of sectors and it is difficult to interpret. While the recent amendments to the government-to-government dispute resolution mechanism reflect progress in the right direction, the same tools with similar effect must be made available to persons when their government declines to act on their behalf.

The Government of Alberta 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, territories and the federal government. Consequently in April 2006, British Columbia and Alberta signed the *Trade, Investment, and Labour Mobility Agreement* (TILMA). The agreement eliminates all barriers to trade between the two provinces, creating the second largest economic region in Canada. The agreement commenced in 2007 and was fully implemented in April 2009. It has a stronger dispute resolution process than the AIT, is effectively enforceable for all disputes and has monetary penalties for non-compliance.

Following implementation of TILMA, the governments of Alberta, British Columbia and Saskatchewan signed the Western Economic Partnership. This agreement promises to continue along the path of further trade liberalization in western Canada. While this regional approach is the best alternative in the short-term, a longer-term approach incorporating all provinces and territories is needed.

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](http://www.ic.gc.ca/eic/site/ait-aci.nsf/vwapj/AIT_agreement_2007-05_en.pdf/$FILE/AIT_agreement_2007-05_en.pdf)



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.

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) and the Western Economic Partnership to other provinces and territories.
2. Work with other provinces and territories to fully implement the Premiers Council of the Federation work plan on internal trade.
3. Continue to pursue trade liberalizing agreements with other Canadian jurisdictions through the use of Article 1800 (Trade Enhancement Arrangements) of the AIT, that allows interested Parties to move forward when consensus is not possible.
4. Encourage all the Parties to the Agreement on Internal Trade (AIT) to consider a full review and renegotiation of that agreement with a view to establishing a new pan-Canadian agreement to eliminate barriers to trade, investment and labour mobility. Any new agreement must:
 - a. Cover all sectors of the economy and include all government entities including ministries, crown corporations and regional and local governments.
 - b. Institute a dispute resolution mechanism for persons that include access to a panel with binding and enforceable powers and contain significant fines for non-compliance.