

A REDUCTION OF INTERPROVINCIAL TRADE BARRIERS IN CANADA PROTECTS THE BC ECONOMY

Issue:

International economic pressures are affecting British Columbia (BC), and these pressures stem from various global challenges. These external pressures shape BC's economic outlook, affecting everything from local employment to provincial revenues. Reducing interprovincial trade barriers in Canada can help protect the BC and Canadian economy from external economic uncertainty by making the domestic market more resilient and less reliant on foreign trade.

Background:

International economic pressures are affecting British Columbia (BC), and these pressures stem from various global challenges:

- **US Economic Policies:** The economic relationship with the U.S. is a key factor for BC, particularly in trade, tourism, and labor mobility. Changes in U.S. economic policies, such as tariffs, taxes, and regulatory shifts, can directly affect BC's exports, particularly in industries like agriculture, technology, and forestry.
- **China's Economic Slowdown:** China is one of BC's largest trade partners, especially for exports such as wood products, minerals, and agricultural products. A slowdown in China's economy, or changes in its demand for these goods, can significantly impact BC's export markets. Additionally, geopolitical tensions between China and other countries, including Canada, can add uncertainty to trade relations.
- **Geopolitical Tensions and Trade Wars:** Tensions between major economies, such as the U.S.-China trade war and Russia's invasion of Ukraine, create global uncertainty. BC, being an export-driven province, faces risks from changes in trade flows, sanctions, or shifts in international market demand.
- **Global Supply Chain Disruptions:** Ongoing global supply chain issues, exacerbated by the COVID-19 pandemic and geopolitical tensions, are impacting BC. These disruptions affect industries such as manufacturing, construction, and retail, as BC imports key goods, including electronics, machinery, and raw materials, from countries like China, the U.S., and others.

These external pressures shape BC's economic outlook, affecting everything from local employment to provincial revenues. However, despite these external pressures, many challenges, barriers, and irritants exist within Canada that stifle free trade amongst our provinces and territories. These "interprovincial trade barriers" add complexity, cost, and administrative burden onto those businesses that do try to sell products or services across provincial or territorial boundaries, and effectively dissuade many others from attempting to.

Restrictions on the types of products that can be sold and shipped between provinces, requirements for duplicate regulatory registrations, unique packaging and labelling requirements, and refusals to recognize out-of-province professional credentials are examples of frustrating and costly interprovincial trade barriers.

By reducing interprovincial barriers, Canada creates a more robust internal market that can better withstand external disruptions, making the entire country's economy more resilient to global economic

uncertainty. Reducing interprovincial trade barriers in Canada would have several positive effects on businesses and the economy.

1. **Increased Market Access for BC Businesses:** Interprovincial trade barriers create unnecessary costs and inefficiencies for BC businesses trying to expand into other provinces. These barriers can include differing regulations, tariffs, and administrative burdens. By reducing these obstacles, BC businesses could access a larger market, leading to more growth opportunities, job creation, and greater economic diversification. This would also help BC businesses become more competitive on a national scale.

“Access to Larger Markets: Reducing barriers would allow businesses, particularly small and medium-sized enterprises (SMEs), to expand their market reach across Canada without facing different provincial regulations or tariffs. A more unified market makes it easier for businesses to scale up operations and reach more consumers, which can increase revenues.”¹

2. **Improved Supply Chain Efficiency:** Many businesses in BC rely on goods and services from other provinces, and vice versa. Interprovincial trade barriers can slow down the movement of goods, increase costs, and cause disruptions. Lowering or removing these barriers would streamline supply chains, making the movement of goods and services more efficient across Canada. This, in turn, could lower costs for consumers and businesses, promoting a more dynamic and interconnected national economy.

Reducing interprovincial trade barriers in Canada could lead to significant financial benefits, both in terms of economic growth and cost savings for businesses and consumers. Some of the main financial advantages are:

1. Increased GDP and Economic Growth

Potential Increase in GDP: Removing trade barriers between provinces could boost Canada's GDP by unlocking the full potential of interprovincial trade. According to a 2019 report by the C.D. Howe Institute, eliminating these barriers could increase Canada's national income by \$50 billion annually.²

2. Reduced Business Costs and Increased Productivity

Lower Compliance Costs: Businesses face substantial costs when complying with varying regulations across provinces. Simplifying and harmonizing regulations can reduce administrative burdens, thereby lowering operating costs. For example, a Conference Board of Canada study estimated that reducing barriers could save businesses \$14 billion annually.³

3. Cheaper Goods and Services

Price Reduction for Consumers: When businesses face fewer trade barriers, they can offer more competitive prices by sourcing goods and services from different provinces without additional costs like

¹ Source: Government of Canada, “Advancing the Canadian Economy by Removing Barriers to Trade”. (2021). [Government of Canada] (<https://www.canada.ca/en>)

² Source: C.D. Howe Institute. “The Economic Case for a Single Canadian Market: Eliminating Interprovincial Barriers to Trade”. (2019). [C.D. Howe Institute Report] (<https://www.cdhowe.org>)

³ Source: Conference Board of Canada. ‘The Cost of Interprovincial Trade Barriers in Canada’. (2017). [Conference Board of Canada] (<https://www.conferenceboard.ca>)

tariffs or regulatory hurdles. According to the Canada West Foundation, removing barriers could lower consumer prices by an estimated \$3.5 billion annually.⁴

1. Boosting Investment and Innovation

Attracting Investment: A unified and barrier-free market makes Canada a more attractive place for both domestic and foreign investments. With fewer regulatory hurdles, investors are more likely to see Canada as a stable and efficient place to do business. The Fraser Institute found that removing trade barriers could lead to a 7% increase in investment in the Canadian economy.⁵

5. Job Creation

Increased Employment: As businesses grow and expand due to better access to markets, more jobs could be created, especially in sectors that rely heavily on interprovincial trade. The Canadian Centre for Policy Alternatives reported that the removal of trade barriers could lead to the creation of over 80,000 jobs across various industries.⁶

THE CHAMBER RECOMMENDS

That the Provincial and Federal Governments:

Commit to removing interprovincial trade barriers by:

- 1. Adopting of a Mutual Recognition Framework with the Other Provinces of a National Regulatory Framework** to allow goods, services and professional credentials that meet the regulatory requirements in one province to be considered compliant in all provinces and territories.
- 2. Bolster the existing Canadian Free Trade Agreement (CFTA) and embrace the spirit of the agreement** by removing as many exemptions as possible that have been imposed by BC and advocating for the removal of those imposed by other provinces or territories which serve as continued impediments to interprovincial free trade.
- 3. Identify and remove, in consultation with business and industry groups, any other regulatory or other mechanisms that functionally serve as barriers and irritants to BC companies attempting to sell products or services in other provinces or territories, and advocate for other provincial and territorial governments to do the same.**

Submitted by the North Vancouver Chamber

⁴ Source: Canada West Foundation. 'Breaking Down Barriers: The Case for Free Trade in Canada'. (2020). [Canada West Foundation] (<https://cwf.ca>)

⁵ Source: Fraser Institute. "The Economic Impact of Interprovincial Trade Barriers". (2018). [Fraser Institute] (<https://www.fraserinstitute.org>)

⁶ Source: Canadian Centre for Policy Alternatives. 'The Economic Benefits of Removing Trade Barriers in Canada'. (2017). [CCPA] (<https://www.policyalternatives.ca>)

Supported by: Greater Langley Chamber of Commerce, Richmond Chamber of Commerce