Intelligence MEMOS

From: Daniel Schwanen

To: Internal Trade Watchers

Date: July 7, 2025

Re: **Provinces Need to Play if Internal Trade Barriers are to Fall**

Donald Trump's tariff threats have focused much needed attention on making trade within Canada easier. Prime Minister Mark Carney made a promise soon after the election: To have free trade by Canada Day.

To that end, the federal *Free Trade and Labour Mobility in Canada Act*, part of Bill C-5 which became law on June 26, aims at supporting the mutual recognition of regulatory requirements across Canadian jurisdictions.

Under the Act, the federal government will recognize provincial requirements such as product standards as meeting federal requirements, when both levels of government regulate the same aspect of a good or service traded interprovincially, in the pursuit of a comparable objectives. Federal regulatory bodies must also recognize provincial regulatory bodies' authorizations to practise an occupation.

For Mr. Carney, it's a promise kept. But helpful though these provisions would be, they are not enough for Canada to truly have internal free trade. Mr. Carney's bill should be viewed as only part of a broader project.

By itself, recognition by federal regulators of provincial requirements as equivalent to their own does not ensure trade or labour mobility between provincial jurisdictions with different standards and approval or certification processes that impede trade or labour mobility.

For that, the provinces need to get in on the action. Helpfully, legislation adopted this year in Nova Scotia, Prince Edward Island, Ontario and Manitoba offers to recognize other provinces' standards and approvals processes when other provinces offer the same treatment to their goods and services.

In turn, this has led to agreement between provinces (e.g. Ontario with, respectively, Nova Scotia, Manitoba, Saskatchewan and Alberta) to open trade in this way. Western provinces already have a similar arrangement in place between them under the 2010 New West Partnership Trade Agreement (NWPTA).

But even countrywide mutual recognition will not create a well- integrated market. For that, we need actual reconciliation of some standards and requirements. Even with mutual recognition, a truck transport company moving goods across provincial borders must still conform to many transportation rules unique to the province it is in – it cannot transpose them from the province it originally set out from or the provinces it has driven through.

Similarly, construction or mining companies must operate according to the laws and regulations of the province they are in – not according to those in their home province.

That is why harmonization among provinces is important. For example, Ontario harmonized more than 1,700 technical requirements with the new national construction code in January. Single sets of rules for safety equipment in construction or mining, or for truck tire dimensions, are further examples on which the slow but sure mechanisms of the Regulatory Cooperation and Reconciliation Table operating under the 2018 Canadian Free Trade Agreement can help.

One of the valuable features of that agreement was its use of a "negative list," an approach pioneered in Canada by the 2007 Trade, Investment and Labour Mobility Agreement between British Columbia and Alberta (the precursor to the NWPTA). This approach requires parties to list the specific sectors or measures for which the rules of open trade, investment or mobility do not apply – meaning that remaining discriminatory barriers are relatively transparent. Helpfully, the federal government and many provinces have reduced or eliminated their exceptions under this arrangement.

Other important pieces of the internal trade puzzle that need to be solved include greater freedom for Canadians to purchase products, such as alcoholic beverages, from producers across the country, while still conforming to tax and other rules in their province of residence. Only Manitoba allows such sales now, although a 2024 agreement between Alberta and British Columbia allowing BC wineries to sell direct to Albertan consumers shows a path forward. That said, provinces have substantially relaxed the limits applying to their residents personally bringing back alcohol purchased in other provinces. These moves followed the "free the beer" case around a ticket issued for bringing alcohol into New Brunswick from Quebec beyond the allowed limit back in 2012 (leading to the controversial 2018 Supreme Court decision in R v Comeau).

Meanwhile, Canada's market cannot be truly open to products from across the country until allocation of production quotas by province under our supply managed systems is ended.

Given the need to "de-risk" our economic prospects in an uncertain world, Canadian governments should continue to expand mutual recognition, remove discriminatory barriers and push for greater harmonization of rules affecting businesses and workers.

All Canadians should have access to economic opportunities regardless of where they emerge in Canada – and ultimately all Canadian governments are responsible to make sure that they do not thwart access to such opportunities.

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