

Intelligence MEMOS



From: Daniel Schwanen

To: Interprovincial Trade Watchers

Date: April 10, 2025

Re: **A BACKGROUNDER ON REMAINING BARRIERS TO INTERNAL TRADE WITHIN CANADA**

Canadians are aware that there remain many important – and silly – barriers to trade within Canada, and that we can ill-afford the cost of these barriers to East-West trade, especially given the furious headwinds against North-South trade coming out of the White House.

However, it would be wrong to suggest that there has not been important progress in reducing these barriers. For example:

- Provinces are harmonizing their building codes (with Ontario [adjusting](#) more than 1,700 technical requirements with the new national code as of January 1, 2025) that will generate hundreds of millions in lower costs for construction.
- Alberta and BC resolved their wine dispute last summer, allowing BC wineries to sell direct to Alberta consumers.
- Also last summer, the federal government reviewed its exceptions under the Canadian Free Trade Agreement, [removing or narrowing](#) 17 exceptions that mainly affected procurement contracts – allowing businesses to compete on federal contracts across the country.
- In 2020, the CFTA's provisions obligating provincial electricity transmission providers to provide all transmission customers with open and non-discriminatory access to their transmission services, came into effect, after Newfoundland and Labrador agreed to the provisions.

Key remaining barriers

- 1) There remain many barriers to labour mobility in specific occupations, allowed by the 2017 CFTA under its “negative list” approach, that is, provinces and the federal government took “exceptions” to the agreement’s obligations for these occupations. That said, they have been chiseling away at the [list](#). My C.D. Howe Institute [paper](#) with Trevor Tombe describes (on pp. 16-17) ways we can further reduce barriers to licensed occupations and trades.
- 2) The CFTA lists many other exceptions to the principle of free trade across provincial boundaries. It presents these exceptions, including those related to occupations mentioned above, with a plain language description. Notable are the barriers restricting trade in supply-managed agricultural products. These exceptions to the agreement are listed [here](#): (click on provincial tabs under “party-specific exceptions” on the left). For example, you can see that to sell cars or travel services in Ontario, your place of business must be in that province; to harvest wild rice on Crown land in Ontario, you need to have been a resident for at least 12 months, etc.
- 3) Key barriers remain in trucking. A truly excellent report – by all the transport ministers themselves, no less – [listed](#) those barriers. The table of contents gives you, at a glance, the 15 issues it covers. As with most barriers, they have been whittling away at the list. Many remain, such as no common standards for bridge heights or for construction site clearance.
- 4) Regarding alcohol, the main liberalization trend has been a concerted effort by most provinces to raise limits on what travelers returning from an out-of-province trip could bring in for personal consumption. See [here](#) for Quebec, with explicit reference to common efforts to reduce interprovincial barriers. Ontario did the same thing. The key battle now is the big one: Allowing direct-to-consumer sales across provincial lines (the last federal restriction on this was removed in 2019, so now it’s up to the provinces). Only Manitoba allows unrestricted online sales from out-of-province wine, beer and liquor. You can see the detailed state of play [here](#).
- 5) Regulatory reconciliation and cooperation: The CFTA set up a regulatory reconciliation and cooperation table (RCT) which has been mildly successful so far at coming to agreements on 17 items of consequence, with implementation completed or progressing among most provinces. One of them is the greater ability to register one’s businesses across provinces (something for which the C.D. Howe Institute [can take a fair bit of credit!](#)) You can see the full list, details of the issue, and a progress [report](#), and Ryan Manucha’s new C.D. Howe Institute [paper](#) proposes ways to strengthen and expedite this process.
- 6) The idea of a mutual recognition agreement (as in the EU) has recently been added to the RCT work plan. However, rather than seeking a single one for the entire country, provinces should consider emulating Nova Scotia’s elegant and recently adopted [Free Trade and Mobility Within Canada Act](#), and engage with that province on its proposed bilateral mutual recognition of standards and licences. This would involve recognizing the standards, approval processes, and certifications in one province, as being good enough in the partner province. Rather than a “race to the bottom”, this process is likely to lead to a “march to a minimum floor” and de facto harmonization of standards across Canada while still accommodating reasonable differences.

In short, there has been movement, and we have the tools – and can go deeper in the toolbox as necessary, beyond those just mentioned. All that was lacking was political will, and perhaps resources. It seems that both may be forthcoming at this time of economic crisis for the country.

Daniel Schwanen is Senior Vice-President at the C.D. Howe Institute.

To send a comment or leave feedback, email us at blog@cdhowe.org.

The views expressed here are those of the authors. The C.D. Howe Institute does not take corporate positions on policy matters.