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Why is our EU trade better than our internal trade?

By BARRIE McKENNA

A letter, signed by the heads of seven major business associations, says it is 'incomprehensible' that Canada can negotiate with Europe faster than it can within its own country

A coalition of business groups says it's a national "embarrassment" that European countries are poised to gain better access to markets in Canada than the provinces enjoy.

In a letter to Industry Minister James Moore, the groups called on Ottawa and the provinces to extend the same commitments to each other as those made in the tentative Canada-European Union free trade deal, reached in October.

"It is an embarrassment that we are able to provide greater benefits to our trading partners than to each other with Canada," according to the letter, signed by the heads of seven major business associations, including the Canadian Chamber of Commerce, Canadian Manufacturers & Exporters, Council of Chief Executives, and the Canadian Federation of Independent Business.

"For ordinary Canadians, it's incomprehensible that the federal government and the provinces can negotiate with Europe in less time than we can co-operate internally," said Perrin Beatty, president and chief executive of the Canadian Chamber of Commerce.

Industry Canada officials have estimated that internal trade barriers add the equivalent of a 7-per-cent tax on everything that crosses provincial lines. Differing food, fuel and transportation regulations, along with varying trade and professional standards, pose significant barriers to the movement of goods and people across the country.

The examples are numerous. Dairy and chicken marketing boards block farmers from freely selling across provincial lines. Quebec bans the mixing of butter or milk into soy- and vegetable oil-based drinks and spreads.

As well, provinces have different rules for how much ethanol can be blended into gasoline.

The business groups say the free-trade pact with Europe provides a "template" to improve Canada's weaker intergovernmental Agreement on Internal Trade (AIT), which turns 20 in 2015.

The provinces, for example, should extend "the same commitments to each other as they do to foreign governments," the letter argues.

The letter was delivered just days before the Dec. 12 annual meeting – to be held via conference call – of the

Committee on Internal Trade, which is currently chaired by Mr. Moore and made up of ministers from the 10 provinces and three territories.

Mr. Moore agrees with the principle that trade within Canada shouldn't be less open than trade with other countries and will "engage" with his provincial and territorial counterparts to lower barriers, said Jake Enwright, the minister's press secretary.

Among other flaws, the AIT has a slow and costly dispute settlement system, and it doesn't go as far in opening up government purchases, improving regulatory co-operation or allowing workers to move freely between provinces with mutually recognized credentials, the business groups complain.

Breaking down these internal barriers is critical to make the Canadian economy more productive, explained Ailish Campbell, vice-president of policy at the Ottawa-based Canadian Council of Chief Executives.

"We are 35 million people against a gigantic area. We can't afford to be fragmented," sheCCT said. "Canadian companies need to be providing for this entire market and using it as a staging ground for the world."

Canada's foreign trade negotiations are now driving stalled internal trade efforts, added Sean McPhee of the Vegetable Oil Industry of Canada, who also signed the letter.

"We can't get our act together among ourselves," Mr. McPhee said. "It's going to be driven by our international relationships. That seems to be the political reality."

But Mr. McPhee said he isn't confident that anything will happen as a result of the Dec. 12 meeting. While the Western provinces have moved separately to dismantle barriers, Ontario and Quebec have resisted strengthening the AIT.

Jayson Myers, president of Canadian Manufacturers & Exporters, said the European free-trade deal offers the ideal opportunity for provinces to either end barriers or to clearly justify continued protectionism.

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