

July 23, 2024

*Sent via email*

**Subject: New CFIB report on internal trade - mutual recognition remains best path forward to address remaining barriers**

Dear Premiers:

On behalf of 97,000 Canadian Federation of Independent Business (CFIB) members, we are writing to all Premiers to share the small business perspective on internal trade and to encourage your governments to prioritize mutual recognition to eliminate remaining barriers.

Mounting cost pressures and low national productivity growth have heightened the urgency to eliminate unnecessary barriers to working and trading goods and services across Canada. According to CFIB's Monthly Business Barometer®, insufficient domestic demand, shortage of skilled labour, and shortage of working capital are the top factors limiting sales and growth in the province.<sup>1</sup>

Given these challenges, it is imperative for governments to prioritize policies that remove internal trade barriers. Doing so will increase choices in goods and services, improving supply and affordability benefiting both businesses and consumers. Additionally, it can create new employment opportunities, address labour shortages, foster innovation and boost economic growth by addressing Canada's lagging productivity. In fact, research **estimates that eliminating these barriers could boost Canada's economy by as much as \$200 billion per year, or \$5,100 per person.**<sup>2</sup>

CFIB has recently updated its Internal Trade Report Card its [Internal Trade Report Card](#), evaluating jurisdictions on three key indicators: CFTA exceptions, select barriers to internal trade, and the implementation status of Regulatory Reconciliation and Cooperation Table (RCT) items. Additionally, this year's report card includes a bonus indicator for government leadership on internal trade over the last year.

Grades for this year indicate that significant work still remains, and according to 88% of small businesses, it remains crucial for federal, provincial, and territorial governments to prioritize the removal of barriers that impede the flow of goods, services, and labour across provinces and territories.

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<sup>1</sup> CFIB. Monthly Business Barometer®, June 2024.

<sup>2</sup> Trevor Tombe and Ryan Manucha. Liberalizing internal trade through mutual recognition: A legal and economic analysis, September 20, 2022. Macdonald-Laurier Institute Paper. [https://www.trevortombe.com/publication/mli\\_trade/](https://www.trevortombe.com/publication/mli_trade/)

CFIB is concerned that progress is too slow and that significant barriers remain. For context, only 17 of the 30 items on the RCT work plan have been ratified. Of these items, 16 were completed through reconciliation agreements, with five fully implemented by all jurisdictions—representing a mere 17% of the RCT’s work plan. This lack of progress is a clear indication that stronger political leadership is needed.

High-profile barriers outside the purview of the RCT also remain. Canadians are still unable to order and ship Canadian alcohol products from other provinces, purchase food inspected in another province, or work in multiple jurisdictions without navigating excessive hurdles. CFIB was pleased to see Premiers recognize the importance of removing internal trade barriers after the most recent Council of the Federation Meeting in Nova Scotia earlier this month. However, in the 7 years since the CFTA was signed, little to no progress has been made to remove these highly visible barriers. More must be done to help Canadian businesses and signal to the rest of the world that Canada is a place without barriers to the movement of people, goods, services, and capital.

While we are pleased to see mutual recognition included in the RCT’s Work Plan and as part of the Federal Action Plan to Strengthen Internal Trade, we need to see this plan put into action. CFIB continues to recommend governments across Canada **move quickly to adopt a mutual recognition agreement encompassing all federal, provincial and territorial regulatory measures on the sale or use of all goods and services — such that any good or service that may be sold or used in one province may be readily sold or used in all other provinces and territories without having to meet any additional requirements.** Under this approach, we would expect provinces and territories mutually recognize each other’s regulatory standards.

Removing domestic trade barriers is key to Canada’s economy. Mutual recognition of provincial and territorial standards would send a strong signal to the rest of the world about Canada’s commitment to creating an attractive investment climate. Furthermore, it would be a great benefit to both Canadian businesses and consumers by increasing the choice of goods and services, reducing prices in a high inflation environment, generating new employment, and encouraging innovation.

On behalf of our members, thank you for your attention to these priorities.

Sincerely,



Keyli Loeppky  
Director, Interprovincial Affairs  
cc: Provincial Trade Minister



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