

## **Inter-Provincial Trade Barriers:**

**Seriously Damaging to the Economy and Standard of Living and  
Almost as Harmful as Canada-U.S. Trade Barriers**

**BDO Dunwoody/Chamber Weekly CEO/Business Leader Poll  
by COMPAS in the *Financial Post*  
for Publication September 13, 2004**



**COMPAS Inc.  
Public Opinion and Customer Research**

## **1.0. Introduction**

Canadian business leaders remain very perturbed about the continuance of inter-provincial trade barriers, which they see as harming the economy and standard of living and not helping efforts to resolve Canada-U.S. trade issues. The COMPAS/Financial Post webpanel survey shows that concern is highest with respect to labour mobility and least, but nonetheless serious, with respect to inter-provincial trade in alcoholic beverages.

The sponsors for the survey are BDO Dunwoody LLP and the Canadian Chamber of Commerce.

## **2.0. Inter-Provincial Barriers Almost as Serious as the Canada-U.S. Border Problems**

Canada's business leaders assess inter-provincial barriers to trade as almost as serious as barriers to Canada-U.S. trade, as shown in table 2A, and as seriously damaging to the economy and standard of living. Virtually all business leaders and CEOs in the Financial Post/COMPAS panel deem inter-provincial barriers as "bad economics" while 60% deem it bad politics too, as shown in table 2B.

Members of the CEO/business leader panel captured the consensus in the following observations:

With NAFTA, we now have somewhat free trade within the Americas; but it is laughable to suggest that we have similar open and free trade within Canada itself. The trade barriers that exist between provinces, indeed even between municipalities with strong local purchasing policies, are definitely now much more onerous in many cases than those that exist now internationally, even outside of NAFTA. This is a national disgrace significantly handicapping this country



economically. But, alas, the Federal Government lacks the political will to deal with this problem effectively. They fail to realize that in today's global economy, our real "competitors" are no longer in the next province (or the next city), not even in the US or Mexico; but are the emerging economies of Asia and Europe. It is high time we got our act together and started acting as a nation, not a loose collection of huts, or we will be left behind as the latest "manufacturers of buggy whips" in this century.

I have moved through four different provinces in my professional life and strongly feel that provincial barriers serve no good purpose. There are neighbourhood, municipal, regional, provincial and Federal barriers to business, education and to social services that serve only to build ignorance and petty jealousies among our fellow Canadians.

Something needs to be done about these primitive barriers.

This issue shows that, in many respects, we are not a true country, but rather more a collection of old time city states. We will never be a major trading partner until the Federal government uses its muscle to take control.

How can we be serious about trade barriers with the US when we can't even remove our own internal trade barriers?

The inability of our country to deal with inter-provincial barriers to trade is disgraceful. This is one area where I fully support the Federal government using its powers under the commerce provisions of the constitution to create a single Canadian market.



Table 2A: (Q3) There's been debate about the seriousness of inter-provincial barriers in general. Insofar as you can tell, are inter-provincial barriers [ROTATE POLES]

	%
A lot worse than barriers to Canada-U.S. trade	10
Somewhat worse	22
About the same	22
Somewhat better	23
or a lot better	16
DNK/REF	6

Table 2B: (Q2) Generally speaking, would you say that the barriers to trade, investment, mobility, and goods erected by provincial governments are {ROTATE POLES}

	%
Both bad politics and bad economics	60
Good politics but bad economics	33
Both good politics and good economics	1
Bad politics but good economics	1
DNK/REF	5

### 3.0. Barriers to Labour Mobility Cause the Most Serious Harm—Barriers to Alcohol Trade, the Least Harm

Barriers to labour and professional mobility are seen as causing the most harm to the Canadian economy and the standard of living of Canadians, as



shown in table 3. More than two-thirds deem impediments to labour to be serious or very serious, with 72% scoring at least 5 on the 7 point seriousness scale.

Other serious barriers are those relating to agriculture, transportation, investment, procurement, and natural resource processing. Barriers to the trade in alcoholic beverages are deemed least serious even though a 51% majority nonetheless considers the economic effects serious or very serious, scoring 5 or higher on the 7 point scale.

*Table 3: (Q1) Over a generation or so, there has been discussion of the economic effects of inter-provincial trade barriers in Canada. Using a 7 point scale where 7 means very serious and 1, the opposite, how seriously are the following types of trade barriers hindering the overall development of the Canadian economy? [RANDOMIZE]*

	MEAN	7	6	5	4	3	2	1	DNK
Labour Mobility (e.g. restrictions based on residency, certification or professional standards affecting trades and professions)	5.5	35	24	13	7	8	5	3	6
Agricultural and Food Products (e.g. technical barriers to movement of agri-food products)	5.2	25	19	17	10	8	6	3	13
Transportation (e.g. varying regulations surrounding safety standards, weights and dimension rules)	5.2	28	14	20	11	8	5	3	12
Procurement (e.g. local price preferences, biased technical specifications, unfair registration requirements)	5.1	24	22	17	12	8	6	4	8



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	MEAN	7	6	5	4	3	2	1	DNK
Investment (e.g. discriminatory treatment of Canadian business according to head-office location, local residency requirements)	4.9	19	19	22	12	8	9	3	9
Natural Resources Processing (e.g. barriers regarding the processing of forestry, fisheries and mineral resource products)	4.9	16	18	20	13	14	4	3	13
Consumer-Related Measures and Standards (e.g. varying consumer protection requirements between Provinces and Territories)	4.6	16	17	21	14	11	9	5	7
Environmental protection (e.g. environment protection used as a non-tariff trade barrier)	4.6	11	19	19	15	12	8	4	12
Alcoholic Beverages (Provincial regulation of price and distribution)	4.4	18	10	23	10	12	9	11	7

## Methodology

The *National Post*/COMPAS web-survey of CEOs and leaders of small, medium, and large corporations and among executives of the local and national Chambers of Commerce was conducted September 8-10, 2004. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public,



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surveys of 144 are deemed accurate to within approximately 8.2 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D and Tamara Gottlieb.

