

Report on Internal Trade

**Prepared for Discussions by the Council of the Federation
on February 23 – 24, 2004**

Introduction

On December 5, 2003, Premiers met in Charlottetown, Prince Edward Island to establish the Council of the Federation. At this meeting, the Council identified *strengthening the economic union, including enhancing internal trade* as a priority area for cooperative intergovernmental action. Premier Lord and Premier Doer agreed to lead this initiative and to provide a report to their colleagues at the February 23 – 24, 2004 meeting of the Council of the Federation.

Context

Provinces and territories, along with the federal government, have been making specific efforts to address internal trade barriers for almost 20 years. In July 1994, First Ministers concluded a comprehensive set of negotiations with the signing of the Agreement on Internal Trade (AIT)¹. The AIT established a framework of rules to govern internal trade and applied these rules in each of ten areas where interprovincial barriers had been identified. However, there were a number of issues that were not resolved in the Agreement and continued negotiations were called for on these issues.

Unfortunately, there has been relatively little success in dealing with the remaining issues. The lack of unanimous political direction also has disrupted efforts to hold regular meetings of Ministers responsible for Internal Trade, which are necessary to provide the direction needed to conclude negotiations. The perception in Canada remains that there are more barriers to domestic trade than to international trade.

Recent Activities

On January 13, 2004, Premiers Lord and Doer met with provincial and territorial Ministers responsible for Internal Trade in Montreal, Quebec. The purpose of the meeting was to receive the Ministers' input and advice on how to improve the flow of trade within Canada. At the meeting, all Ministers expressed a strong commitment to take early action on internal trade barriers and that it was necessary to demonstrate provincial-territorial leadership on this file.

The attached Workplan was prepared and then finalized following review and comment by Ministers responsible for Internal Trade.

¹ Nunavut is not a signatory to the Agreement on Internal Trade but maintains observer status on the Committee of Ministers on Internal Trade (CIT).

Next Steps

With renewed political commitment to implement all outstanding items related to the existing Agreement on Internal Trade and to fast-track work on gaps in coverage, the Council of the Federation can make significant progress toward eliminating interprovincial/territorial barriers to trade in the country. This process is designed to complement existing undertakings and agreements and shall not be restricted to the current AIT. Provinces and Territories are also being encouraged to undertake research and analysis into internal trade matters and issues of interest to them.

At the February 23 –24 meeting of the Council of the Federation, it is recommended that Premiers:

- Reconfirm their commitment to Internal Trade by honouring all obligations under the current Agreement;
- Approve the Workplan to guide Ministers efforts to address internal trade barriers, including agreement on the priority actions and the timeframes for their completion;
- Confirm that Ministers will meet in early April to ensure progress on the short-term priority items; and,
- Direct Ministers to meet regularly on internal trade, at least annually prior to the annual summer meeting of the Council of the Federation, and to provide regular progress reports on the workplan to the Council.

It is also recommended that the Council of the Federation remain closely involved in activities to address internal trade barriers, in order to ensure continued momentum. Manitoba and New Brunswick are prepared to continue co-leading on this initiative and will provide a report to the Council at the annual summer meeting.