



On Our Radar: A Unified Vision for Interprovincial Trade

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With ongoing global trade tensions and uncertainty, removing interprovincial trade barriers is a crucial step Canada must take to build a stronger economy. These barriers have long been a drag on competitiveness and the cost of inaction is too high. Interprovincial trade accounts for nearly 20% of Canada's GDP and analysis from the Macdonald-Laurier Institute shows that if Canada were to proceed with mutual recognition policies, GDP could increase by between 4.4 and 7.9% over the long-term, **unlocking potentially up to \$200 billion per year**. This is an opportunity to boost productivity, improve living standards, and strengthen domestic resilience.

There is momentum. The federal government recently passed **Bill C-5**, the *Free Trade and Labour Mobility in Canada Act* (One Canadian Economy Act), which includes measures to eliminate federal barriers to internal trade. Provinces have also passed legislation of their own, such as Ontario's **Bill 2**, The Protect Ontario Through Free Trade Within Canada Act. More recently, at the **July 2025** Council of the Federation meeting, premiers reiterated their commitment to labour mobility and a mutual recognition agreement covering all goods, to be implemented by December 2025. While mutual recognition of all goods is an encouraging starting point, the agreement should also include services and registered workers.

However, to unlock the full economic potential of internal trade, Canada must move beyond fragmented efforts.

Key Recommendation:



The Board calls on the federal, provincial, and territorial governments to work together to establish a **single, national system of mutual recognition** where goods, services, and workers certified in one province are accepted in all others, without reciprocity requirements. This would give businesses and workers the clarity and confidence to operate across one economy in Canada, not thirteen.

We acknowledge that many internal trade barriers, and the burdens businesses face, are regulatory in nature. Following extensive sector-based consultations, an upcoming, separate TRBOT report will explore these regulatory issues in greater depth and will include examples of regulations that should be mutually recognized, harmonized, or modernized.





Interprovincial Trade Landscape: A Fragmented Economy

Interprovincial trade barriers exist due to complex patchworks of regulatory, administrative, and policy variations across Canada. These barriers can take multiple forms, such as licensing rules and differing product standards, and can hinder businesses, limit labour mobility, and slow the free flow of goods and services. Canada's federal system, which gives provinces authority to regulate and legislate on key issues, adds to the complexity of internal trade. These differences hamper our ability to build a resilient domestic economy at a time when international trade relationships, particularly with the U.S., are increasingly uncertain. As global economic conditions shift, Canada must be able to move goods, people, and services efficiently within its own borders.

Canada has tried to address this before:

- In 1995, First Ministers signed the *Agreement on Internal Trade* (AIT) to reduce interprovincial trade barriers. While the AIT improved areas such as labour mobility, it had critical shortcomings due to its limited scope, weak dispute resolution, and lack of including key sectors.
- In 2017, the AIT was replaced by the *Canadian Free Trade Agreement* (CFTA), an intergovernmental agreement to reduce barriers to the movement of people, goods, services, and investment within Canada. The CFTA applies automatically to most economic activity and is overseen by the Committee on Internal Trade. Its mechanisms include the Regulatory Reconciliation and Cooperation Table (RCT), which aims to align regulations, but progress is often slow as it involves identification of a barrier, negotiations, and issue-specific implementation considerations. Party-specific exceptions to the CFTA, though under review and changing in 2025, currently remain in place and lead to many carve-outs.

Historically, some of the most frequently cited barriers to interprovincial trade have included:

- **Labour Mobility:** For workers, particularly in regulated professions such as engineering, differing provincial and federal licensing processes limit their ability to move and work freely across Canada. The additional regulatory requirements and burdensome paperwork hinder mobility, which is especially problematic for addressing short-term labour needs, as few workers are willing to go through complex relicensing processes for short- and medium-term roles.
- **Consumer Goods:** Different provincial regulations and certification requirements for consumer goods have long posed challenges for manufacturers, retailers, and consumers. These disparities can lead to increased costs, difficulties expanding and trading across the country, and duplication of efforts.
- **Alcohol:** Alcohol has been one of the most prominent examples of goods affected by interprovincial trade barriers, as provincial regulations often limit consumer access to alcohol produced in other provinces, restricting both availability and choice.

While unlocking the potential of Canada's internal market is critical, it must be paired with a focused effort to expand exports of value-added goods abroad. Sustained economic growth requires both stronger interprovincial trade and greater trade diversification. In contrast to other countries like the U.S., where a large domestic market allows businesses to scale before entering global markets, Canada's fragmented internal economy limits that opportunity, particularly for firms in smaller provinces.

A more connected domestic market would enable businesses to grow, attract investment, and compete globally. Reducing interprovincial trade barriers is not just about improving efficiency but about laying the groundwork for a more competitive national economy.

What's Changed: A Window for Action

The political landscape has shifted dramatically in 2025. The following table outlines initiatives taken by both the federal and Ontario governments to reduce internal trade barriers and considerations to advance further impact:

FEDERAL	ACTIONS	INTENT	CONSIDERATIONS
Bill C-5	1. Establishing a framework for recognizing provincial standards for goods and services as having met comparable federal requirements and provincial certifications of workers for the same occupation in federal jurisdiction	1. Remove federal barriers to interprovincial trade by eliminating duplicative processes at the federal level	1. Provide clarity on implementation, including defining what constitutes “comparable” federal requirements
Other Reforms	1. Removed all federal exceptions to the CFTA 2. Expanded the mutual recognition trucking pilot project 3. Working with the CIT to include financial services in the CFTA, advance mutual recognition of goods by December 2025, commit to an action plan on labour mobility, implement direct-to-consumer alcohol sales system, and launch internal trade missions	1. Remove procurement exceptions to free trade to enable businesses to more efficiently compete for opportunities across the country 2. Increase efficiency of transporting goods across the country 3. Address barriers through complementary actions with all provinces	1. Encourage other provinces to examine the removal of their CFTA exceptions 2. Fast-track beyond pilot projects to full implementation 3. Expand the mutual recognition agreement to also include services and labour
ONTARIO	ACTIONS	INTENT	CONSIDERATIONS
Bill 2	1. Remove all exceptions to the CFTA; create mutual recognition legislation for goods, services, and workers from reciprocating jurisdictions; expand ‘As of Right’ rules to more healthcare workers and other sectors; enable direct-to-consumer sales of alcohol with reciprocating jurisdictions	1. Remove existing barriers to internal trade and labour mobility by mutually recognizing standards of other reciprocating provinces, enabling faster labour mobility through ‘As of Right’ rules, and facilitating greater alcohol trade	1. Move beyond reciprocating jurisdictions to mutual recognition for all jurisdictions
MOUs	1. Ontario has signed MOUs with Alberta in June and July , British Columbia , Manitoba , New Brunswick , Nova Scotia , Prince Edward Island , Saskatchewan , and the Northwest Territories , Yukon , and Nunavut	1. Address internal trade barriers and boost the flow of goods, services, investment, and workers between provinces, including direct-to-consumer sales of alcohol	1. Move beyond MOUs to more legally binding agreements

These are promising signals, the problems are still being tackled through fragmented efforts. Without a unified national approach, progress will remain uneven.



Prioritize Unified Action

International Best Practices

Australia and the EU offer us helpful roadmaps on unified mutual recognition legislation.





- **Australia:** States agreed to pursue mutual recognition, which resulted in the 1992 Mutual Recognition Act.
- **EU:** Mutual recognition is grounded in the EU's foundational treaties and policies across 27 Member States

These actions in Australia and the EU have proven successful in lowering the cost of doing business by helping create single markets that facilitate the movement of goods, services, and people.

Key Recommendation:

While recent legislative efforts signal intent and are good first steps, much of the implementation details remain forthcoming and will take time to unfold.

While these processes are ongoing, governments must seize this moment to address our fragmented economy directly. We now call on the federal, provincial, and territorial governments to jointly create a Canada-wide legislative framework for a **national mutual recognition system** that:

-  Mandates the mutual recognition of goods, services, and labour
-  Applies automatically across all provinces and territories
-  Establishes a clear and binding enforcement mechanism
-  Eliminates any requirements for bilateral agreements or reciprocity

Creating a national system that enables the movement of goods, services, and labour would lower barriers for businesses and increase labour mobility and opportunities for workers. This would mean that a good or service certified to be safe in one province would be immediately deemed safe in another. Similarly, registered workers from one province could immediately start working in another, as they're deemed registered in all jurisdictions.

This could be brought forth through an amendment to Bill C-5 to ensure government accountability and to potentially provide an avenue for financial incentives conditional on the removal of barriers.

The federal government has signaled willingness for a unified approach with the passing of Bill C-5, which includes an intention to pursue a national mutual recognition system with all provinces. Mutual recognition is a key enabler towards economic integration and a single internal market where businesses spend less time navigating red tape and more time scaling across the country.



The Path Forward

A fragmented internal market holds back Canadian competitiveness, innovation, and growth. The political momentum is here. What's needed now is coordinated ambition. Future regulatory and legislative actions should be guided by principles such as mutual recognition at the least – or regulatory harmonization (where applicable) – that encourage and enable one internal market. The Board urges all governments to create a national mutual recognition framework that embraces speed, transparency, and trust. Canada's future depends on it.



The Toronto Region Board of Trade is one of the largest and most influential chambers of commerce in North America and is a catalyst for the region's economic growth agenda. Backed by more than 11,500 members, we pursue policy change to drive the growth and competitiveness of the Toronto region, and facilitate market opportunities with programs, partnerships and connections to help our members succeed – domestically and internationally.

For more on making Toronto one of the most competitive and sought-after business regions in the world, visit bot.com and follow us at [@TorontoRBOT](https://twitter.com/TorontoRBOT).

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