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# KEEPING UP WITH CONSUMERS: UNDERSTANDING THE POLICY IMPLICATIONS OF A CHANGING LANDSCAPE

*Fifth Annual Canadian Agri-Food Policy Conference*

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*CINQUIÈME CONFÉRENCE ANNUELLE SUR LES POLITIQUES AGRICOLES CANADIENNES*

# ÉVOLUER AU MÊME RYTHME QUE LES CONSOMMATEURS: COMPRENDRE LES EFFETS D'UN ENVIRONNEMENT EN ÉVOLUTION SUR LES POLITIQUES

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# Agriculture and Internal Trade Agreements in Canada

## Progress, Complexity and Challenges

Chris Kukucha  
Department of Political Science  
University of Lethbridge  
[christopher.kukucha@uleth.ca](mailto:christopher.kukucha@uleth.ca)

# Context

- Upcoming Publication in the *Canadian Journal of Political Science*
- Examines Internal Trade re: (1) Labour Mobility (2) Government Procurement (3) Investment (4) Dispute Resolution (5) Alcohol (6) Agricultural & Food Groups
- Argues that Liberalization Exists in the AIT and Regional Agreements
- Regional Agreements also Facilitate Further Liberalization, Possibly on a National Level

# Outline for Today

- Historical Background
- Recent Political Focus on Internal Trade
- The AIT and Regional Agreements
- Economic and Normative Impact of Internal Trade Barriers
- How to “Measure” Liberalization in Internal Agreements
- Specific Comments on Agriculture and Alcohol

# Historical Background

- Confederation a Political and Economic Union
- BNA Act - Trade and Commerce a Federal Power and Section 121 (all trade “admitted free” into every province)
- Supreme Court Concurrs (*Murphy v. CPR* 1958 & *Canadian Egg Market Agency* 1998)
- But ... BNA Act Property and Civil Rights a Provincial Power
- Supreme Court did not Rule on a “Unified” Market

# Historical Background

- Result? Internal Barriers Shifts to a Political Process
- *Rowell Sirois Commission* 1940 - No Action on Policy
- *Macdonald Commission* 1985 - Starts as Internal Trade - Shifts to Canada-US Free Trade - No Action on Policy
- Shift? (1) International - GATT Domestic Policy Space; (2) Domestic Sectoral Pressure; (3) Increasing Bureaucratic Expertise
- Action in the 1990s - (1) Committee of Ministers on Internal Trade; (2) Internal Trade Secretariat; (3) AIT in 1995

# Political Focus on Internal Trade

- *Internal Trade Barriers “the Perfect Storm of Dumb”*  
- James Moore, Federal Industry Minister, 2014
- *One Canada One National Economy: Modernizing Internal Trade in Canada* - Government of Canada, 2014
- Provincial Participation in CETA Negotiations
- Industry Canada Outreach
- *Canada’s Evolving Internal Market: An Agenda for a More Cohesive Economic Union* - Public Policy Forum

# Political Focus on Internal Trade

- Prior Provincial Leadership in Western Canada - Gordon Campbell (BC), Ralph Klein (Alberta), Brad Wall (Saskatchewan)
- Ontario and Quebec - Dalton McGuinty and Jean Charest
- Result? Numerous Regional Agreements and Amendments to AIT
- Liberalization Prior to Recent Federal Interest in Internal Trade

# Recent Agreements

- 2006 - Trade Investment and Mobility Agreement (TILMA)
- 2008 - Atlantic Procurement Agreement (APA)
- 2009 - Ontario & Québec Trade and Cooperation Agreement (TCA)
- 2009 - New Brunswick-Nova Scotia Partnership Agreement (PARE)
- 2010 - Northwest Partnership Trade Agreement (NWPTA)
- 13 Amendments to the AIT Since 1995

# Impact of Internal Trade Barriers?

- Quebec Estimates its Exports to the ROC as \$6.7 Billion vs. \$6.0 Billion Internationally
- \$11.3 Billion from Quebec Industry is Consumed in the Province
- Evaluating Economic and Normative Impact Not Exact
- (1) Internal Trade Statistics Incomplete or Non-Existent;  
(2) No Understanding of Breadth and Scope of Regulatory Barriers in the Canadian Economy
- Current Industry Canada Request for Proposals

# “Measuring Liberalization”

- CJPS Study - Only Available Transparent Aspect of Internal Trade - Technical Language of Agreements
- How to Measure Liberalization?
- (1) Negative Lists (Specific Exclusions) vs. Positive Lists (Specific Inclusions)
- (2) Liberalizing Existing Positive Lists (Lower Thresholds)
- (3) Clear Language re: MFN/National Treatment + Open Access to Markets
- (4) Greater Transparency of Barriers (Future Negotiations)

# Agricultural & Food Goods

- *Original AIT* - Maintained Most Existing Practices
- *11<sup>th</sup> Amendment to AIT (2010)* - New Chapter on Agriculture - Minor Changes
- (1) Article 902 - Supply Management and Marketing Boards Continue
- (2) Article 904 - Working Groups Established to Study Agriculture and Food Groups
- (3) Article 905 - Ongoing Right to Establish Technical Measures (Based on Scientific and Factual Evidence)

# Agricultural & Food Goods

- *Ontario-Quebec TCA* - Very Consistent with AIT
- (1) Supply Management and Marketing Boards Maintained
- (2) Right to Establish Technical Measures (with Reference to Harmonization of Standards)
- *PARE* - No Mention of Agriculture Beyond References to Harmonizing Treatment of Microbreweries and Fish Trade (Part 3 Specific Commitments)

# Agricultural & Food Goods

- *NWPTA* - (1) Limited Language Exclusively on Agriculture
- (2) But, Part II A and B (*General Rules*) Adopts Negative Lists for all Trade, Investment and Labour Mobility
- (3) Limited Language on Agriculture? Negative Lists Apply (Fully Open Unless Specific Exclusions)
- (4) Specific Exclusions in *NWPTA* Include Regulated Marketing & Supply Management Consistent with the ROC for Dairy, Eggs, & Poultry
- (5) Wheat, Barley, Rye, Canola, Beef and Pork Key for *NWPTA* Signatories (Less Reliant on Supply Management)

# Alcohol

- *AIT* - (1) Amendments Recognize International Agreements & Disputes re: Pricing and Distribution - Especially Wine (EU) & Beer (EU and US)
- (2) But, Articles 1010 & 1011 List Numerous Province Specific Exclusions
- (3) Annex 1003 Lists Provincial Authorities for Setting Pricing and Distribution Standards (Status Quo)
- *TCA and PARE* - No Language Related to Alcohol. Not Covered

# Alcohol

- *NWPTA* - (1) No Language Related to Alcohol - but Negative Lists Apply Unless Exclusions (None for Alcohol)
- (3) Bill C-311 (2012) - Removes Federal Restrictions on Transferring Wine Across Provincial Boundaries but Provinces Maintain Right to Regulate
- (4) Response? Only Two Limited Positive List Agreements
- (5) BC (Manitoba & Sask) for Purchase of Wine by Phone or Internet
- Provincial Liquor Boards Still Control Pricing & Distribution - Except Alberta (AGLC Applies Mark-Up but is Non-Discriminatory)

# Conclusion

- Some Liberalization in Agriculture and Alcohol
- Limited Compared to Other Sectors (Procurement, Labour Mobility, etc.)
- NWPTA most Progressive of Regional Agreements: (1) Negative Lists; (2) Liberalizing Existing Positive Lists (Procurement, etc); (3) Transparency of Coverage (Labour Mobility)
- Regional Agreements a Model for Incremental Change?