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Summary & Analysis of Steven Globerman's "*The Growing Imperative to Create a More Integrated Internal Economy in Canada*"

Steven Globerman argues that Canada can reduce the risks of U.S. protectionism by removing barriers to interprovincial trade, investment, & labor mobility

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Purpose

- Summarize “*The Growing Imperative to Create a More Integrated Internal Economy in Canada*” by Steven Globerman
- Identify the benefits & disadvantages of the proposal in the Globerman paper

Steven Globerman



- Senior Fellow & Addington Chair in Measurement at the Fraser Institute
- Former tenured professor at Simon Fraser University & York University
- Author of The Impacts of 9/11 on Canada-U.S. Trade & a textbook on international business management
- Written over 200 academic articles & monographs
- Served as a researcher for two Canadian Royal Commissions on the economy
- Research advisor to Investment Canada on foreign direct investment
- Holds a B.A. in Economics from Brooklyn College, an M.A. in Economics from the University of California, Los Angeles, & a Ph.D. in Economics from New York University

A. Summary: *“The Growing Imperative to Create a More Integrated Internal Economy in Canada”*

Globerman’s proposal includes four key components:

1. Eliminate interprovincial trade barriers
2. Leverage existing trade agreements
3. Implement mutual recognition
4. Encourage provincial cooperation

1. Eliminate Interprovincial Trade Barriers

- Reduce legal & regulatory restrictions that hinder trade, investment, & labor mobility between provinces
- Address regulatory discrepancies in product standards, occupational licensing, & government procurement rules.

2. Leverage Existing Trade Agreements

- Strengthen the Canadian Free Trade Agreement (CFTA), which includes all provinces & territories
- Expand & deepen the New West Partnership Trade Agreement (NWPTA), currently involving British Columbia, Alberta, Saskatchewan, & Manitoba

3. Implement Mutual Recognition

- Establish a policy where goods & services approved in one province are automatically deemed compliant in all Canadian provinces
- Reduce duplication in regulatory compliance, making it easier for businesses to expand across provinces

4. Encourage Provincial Cooperation

- Encourage Atlantic Provinces & Ontario to join the NWPTA to enhance internal trade integration
- Address sectoral exceptions in healthcare, financial services, & public procurement that limit trade liberalization under the CFTA

B. Analysis: *“The Growing Imperative to Create a More Integrated Internal Economy in Canada”*

- Globerman’s proposal is a strong, economically sound approach to mitigating the risks of U.S. protectionism
- By creating a more integrated Canadian economy, businesses & workers would benefit from lower costs, increased mobility, & greater market access
- Political resistance & regulatory challenges may slow implementation. While economic arguments favor internal trade liberalization, provinces’ reluctance to surrender control over key sectors poses a significant barrier

How the Proposal Benefits Canada ^{1/2}

1. Economic growth & efficiency

- Removing interprovincial trade barriers could increase Canada's GDP by up to 4%, reducing business costs & enhancing productivity
- Estimates suggest reducing trade costs in finance, transportation, & services could generate billions in additional economic output

2. Reduced dependence on U.S. trade

- A more integrated domestic market would lessen Canada's exposure to U.S. tariff risks, especially as American protectionist policies continue
- Strengthening interprovincial trade would create alternative revenue streams for Canadian businesses that are currently reliant on exports to the U.S.

How the Proposal Benefits Canada 2/2

3. Enhanced labor mobility

- Harmonizing occupational licensing standards would enable workers to move freely between provinces, addressing regional labor shortages
- Easier credential recognition could attract more skilled professionals to industries facing workforce gaps

4. Lower costs for businesses & consumers

- Regulatory harmonization would reduce compliance costs, allowing businesses to expand across provinces more easily
- Consumers would benefit from lower prices & increased access to goods & services across provincial boundaries

5. Stronger bargaining power in international trade

- A unified domestic market would enhance Canada's ability to negotiate international trade deals, ensuring a stronger position in global markets

Weaknesses of the Proposal for Canada ^{1/2}

1. Political resistance from provinces

- Some provinces may oppose harmonization due to concerns over losing regulatory autonomy
- Quebec has strong provincial protections that could make full integration difficult

2. Challenges in mutual recognition implementation

- Certain industries (e.g., healthcare, financial services, & agriculture) have unique provincial regulations that would be difficult to harmonize
- Exceptions in the CFTA & NWPTA create legal complexities that could slow implementation

Weaknesses of the Proposal for Canada 2/2

3. Potential for unequal economic gains

- Smaller provinces (e.g., Prince Edward Island & Newfoundland) would benefit more from interprovincial integration than larger provinces like Ontario & Alberta
- Large provinces may be reluctant to join new agreements if they see limited economic advantages

4. Loss of provincial control over economic policy

- Provinces currently have autonomy in setting their economic policies (e.g., labor laws, industry regulations)
- Moving toward a fully integrated internal market may require giving up provincial control, which could be politically contentious

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