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Investment and Labour Mobility Agreement: Border Crossing

David Jordan | FEB 1, 2007

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IMAGE BY: JEREMY BRUNEEL

Global free trade has been all the rage for decades: APEC, GATT, WTO, NAFTA, OECD, EU... So when B.C. and Alberta spawned their own free-trade acronym, TILMA (Trade, Investment and Labour Mobility Agreement), the response was an overwhelming yawn.

I can hop in my car and pick up a case of Big Rock beer in Calgary anytime I want, the average British Columbian might say. I don't have to pass through customs, convert my currency or learn a new language. So what's the big deal? Well, that's not the kind of trade barrier architects of TILMA had in mind. There are hidden obstructions stemming from conflicting regulations and differing professional qualifications, explains B.C. Minister of Economic Development Colin Hansen. To illustrate, he tells the story of a B.C. dairy farmer who had to buy hay from Alberta one summer due to a drought in B.C. The hay was loaded onto a truck in accordance with Alberta transportation regulations, but then at the first B.C. inspection station, it had to be unloaded and re-stacked to comply with B.C. regulations. Then there's the B.C. nurse who moved to Alberta when her husband was transferred, Hansen continues. She was out of work for three and a half months while requalifying to practise her profession in Alberta. This, despite a shortage of nurses in Alberta. TILMA is a sweeping agreement aimed at eliminating these and other non-tariff barriers to trade between the two provinces. For example, it aims to do away with the need to register a business and file financial information separately in each province. Signed in April 2006, TILMA will take effect in April 2007, with an additional two years allowed to iron out certain

sticking points specified in the agreement. (For a copy of the agreement, visit gov.bc.ca/ecdev; choose “reports and publications,” then scroll down to “trade.”) The agreement is all encompassing. It demands, for example, that every profession – from denturists and teachers to engineers and lawyers – iron out a single set of qualifications that will apply equally to both provinces. And it demands that both provinces “mutually recognize or otherwise reconcile” each other’s regulations where they differ. It sounds like a no-brainer: eliminate all the superfluous red tape that has built up over the years, free up the flow of people and goods between the two provinces, and everyone wins. Who could complain? Well, plenty of people. The Internet has been buzzing with bloggers protesting a deal they see as yet another instance of local values steamrolled by big business. “Last April, while you were sleeping your government sold your democracy to big business,” writes John Hill in an essay posted on numerous blogs. (If you’re interested, visit the site of a blogger who goes by the handle Islandtimethief: timethief.wordpress.com.) Of particular concern to the anti-free-trade contingent is the clause about reconciling regulations. They interpret the agreement as preventing provinces from setting their own standards: if B.C. decides to enact stiff emissions regulations, they argue, an Alberta trucker could complain that restrictive regulations impinge on his freedom to ply his trade in B.C. Nonsense, retorts Hansen. “Both provinces can have whatever regulations they want,” he says. “They just can’t use the regulations to discriminate against a company registered in the other province.” So B.C. can enact tough regulations, as long as it applies them equally to B.C. and Alberta companies. There has also been considerable dissent over the harmonization of professional qualifications. Hansen claims that none of the self-regulating professions has refused to comply and that all are beavering away at this very moment ironing out their differences in time for the April 1 deadline (for 60 professions specified in the agreement, the deadline was extended to April 1, 2009). It’s not just bloggers who are protesting. Marc Lee, an economist with the Canadian Centre for Policy Alternatives in Vancouver, describes TILMA as a solution in search of a problem. “Trade barriers between provinces are minuscule,” Lee says. “We don’t have customs booths on the B.C.-Alberta border; we don’t have to convert currency. We have all the benefits of a single economic union.” Yes, professional qualifications vary from province to province, Lee says, but we don’t need TILMA to iron out the differences. “The challenges have long been recognized and we have been working on solutions for years,” Lee says. “TILMA doesn’t improve on negotiations already underway.” Lee concedes that conflicting provincial regulations can cause some headaches, but says that’s just the price we pay for confederation. Canada’s constitution devolves certain regulatory powers to the provinces, he says, and each province has developed a regulatory environment suited to its unique circumstances. “My concern is that [TILMA] opens the door to a whole industry of frivolous litigation,” Lee explains. “For example, if B.C. wants to strengthen its environmental regulations, a whole sea of legal claims might come forward. The claims would be decided in secret by a panel of trade lawyers, most of whom spend most of their time working for industry.” Both sides cite a wealth of documentation to support their arguments. Hansen refers to a Conference Board of Canada report claiming that TILMA will create 78,000 new jobs in B.C. and will contribute an additional \$4.8 billion to the province’s GDP. Detractors cite a 1998 report by UBC economics professor Brian Copeland, who reviewed the existing literature at the time and concluded that the cost of trade barriers between the provinces is minimal. He, in turn, was responding to a Canadian Manufacturers Association study that had claimed the cost of interprovincial trade barriers was bigger than the cost of those between Canada and the U.S. – a claim that Copeland found incredible. Copeland says there simply are no significant barriers to trade in the traditional sense of tariffs and quotas between the provinces. He adds that there has been no credible study of invisible barriers such as regulations and labour mobility, and that he’d be interested in seeing how the Conference Board arrived at its estimate of \$4.8 billion. For that matter, so would a lot of people; the report, which was completed in September 2005, remained the confidential property of the B.C. Ministry of Economic Development until January 2007. The Centre for Policy Alternatives’ Marc Lee is suspicious of any such report. The prevailing economic models used for calculating trade costs tend to support the assumptions that

generate them, he says. For example, if you begin your calculations with the assumption that there are trade barriers, then eliminating them will obviously look pretty good. While the debate rages, one thing remains certain. “TILMA comes into effect April 1,” says Hansen. “Full stop.”

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