

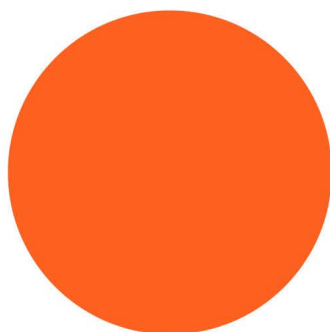


THE PRODUCTIVITY PUZZLE

**Primed for Productivity: A Case for Greater
Competition and Trade**

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“In general, if any branch of trade, or any division of labour, be advantageous to the public, the freer and more general the competition, it will always be the more so.”

Adam Smith, The Wealth of Nations

At our [Productivity Puzzle](#) launch on April 3rd, we announced that additional events would be held in the coming weeks and months to convene deeper conversations on a variety of issues central to productivity improvement and economic growth.

Our next session on June 5th will focus on competition, regulation, and trade.

In a very happy coincidence, the University of Calgary’s School of Public Policy, through its [Canada’s Productivity Initiative](#), sought to hold an event addressing these very topics in Halifax this spring.

We have joined forces on the event, and the School’s Director of Fiscal and Economic Policy, Dr. Trevor Tombe, who is also a Fellow with our other event partner, the [Public Policy Forum](#), will present a keynote address at the June 5th session on the topic of interprovincial trade barriers.

We also will have Jeannine Ritchot, Assistant Deputy Minister, Multilateral Relations & Internal Trade, Intergovernmental Affairs, Government of Canada, speaking on Canada-US trade relations. As well, the session will feature an expert panel discussion among Mike Davis, President and CEO, Davis Pier, Carlo Dade, Director of International Policy, University of Calgary’s School of Public Policy, and Angela Houston, Executive Director, Trade and Economic Policy, at Nova Scotia Intergovernmental Affairs.

Learn more about the event [here](#).

Silver Linings

The Trump presidency has not generated much in the way of good news for Canadians. However, amid the insults, threats, and chaos, there are silver linings: broadly speaking, a surge in Canadian unity, and, more narrowly, a sudden focusing of public attention on economic issues like barriers to trade within Canada ... plus stronger lats and pecs from all that elbow-lifting.

Canadians are eager to embrace measures that will mitigate the blow of Trump’s proposed aggressions. It is a means of telling a bully, “Go ahead and take your best shot – we are strong enough to handle it.”

One explanation for the rush to support the dismantling of barriers to interprovincial trade is psychological: Canadians are eager to embrace measures that will mitigate the blow of Trump’s proposed aggressions. It is a means of telling a bully, “Go ahead and take your best shot – we are strong enough to handle it.”

As for the economics, America’s breach of our free trade agreement through the imposition of tariffs offends and perplexes us because we understand the broad benefits that are at stake. Free trade means a bigger market of potential customers for firms on both sides of the border. Equally, it provides consumers in both countries with access to and choice among a wider range of goods and services.

In my presentation on April 3rd, I put a Nova Scotia lens on some of the facts and findings discussed in Andrew Coyne’s keynote address and announced that we will be “digging deeper” on topics like trade, competition, regulation, labour, immigration, investment, and taxation at future events. The goal of these discussions will be to build understanding and consensus towards the bold moves required to address the major challenges confronting us.

Perhaps less front-of-mind as a benefit, but also important, is that extending free trade to other jurisdictions enhances the competition faced by domestic producers. Competition is advantageous to the public, whether it is between firms across the street, across the country, or across international borders. And to win customers and their hard-earned dollars – that is, to be competitive – firms need to focus on the cost and quality of their outputs and the efficiency and ingenuity with which they use their inputs. The greater the competitive pressures, the greater the firm’s need to be productive, and the greater the resulting advantage to the consuming public.

In our current extraordinary circumstances, as the federal and provincial governments craft their responses to American actions, we need to keep this general logic of trade benefits firmly in mind. It would be sadly ironic if our reaction to American tariffs were a broad protectionist response that damaged Nova Scotia’s trading relationship with Saskatchewan or Canada’s trading relationship with Sweden.

Deeper Discourse

The goal of *The Productivity Puzzle* initiative is to move beyond simple acknowledgement that there are critical issues to be addressed regarding our productivity performance and to convene nuanced conversations that will help us move closer to real action on solutions.

The interplay of competition, regulation, and trade provides prime opportunities for such discussions.

Regulation is necessary for a variety of reasons, for example, to ensure public health and safety, to protect consumers from fraud and misinformation, and to address what economists refer to as market failures, such as externalities like pollution.

Despite good intentions, however, regulations are not always designed and implemented well. Some regulations fail to keep up with the times as technologies advance, markets evolve, and societies change. Either by accident, through inertia, or as a deliberate act, regulations can impede trade and reduce competition. Consider these examples reported in a [February 2025 CBC story](#):

- “Most Canadian wineries, breweries and distilleries can’t sell or ship directly to consumers in other parts of the country. That’s why Ottawa beer makers can’t send brewskis across the river to Gatineau, Que., why you can’t buy Quebec-made whisky in Nova Scotia, and why — until recently — B.C. wineries couldn’t sell their vino directly to Albertans.”

- “Until pretty recently, you couldn't sell a deli sandwich made on the Alberta side [of Lloydminster] to a grocery co-op on the city's Saskatchewan end without a separate licence — irritating hungry residents and food businesses alike.”
- “A nurse trained in Ontario, for example, might need to do additional coursework to practise in Manitoba; a psychologist certified in Alberta might need more training to work in Nova Scotia.”

It is easy to find other instances of trade irritants that seem to defy common sense. Similarly, it is not hard to find examples of regulatory duplication across federal, provincial, and municipal governments and of licensing, permitting, and procurement processes that are onerous, costly, and time-consuming.

But getting beyond the airing of anecdotal grievances and agreement that someone-should-do-something-about-this will require deeper understanding, discussion, and debate.

- To what extent do these barriers truly advance goals related to, say, health and safety – have Canadians really been at risk of poisoning from out-of-province booze? Or are some restrictions simply a means of protecting the interests of local producers at the expense of local consumers?
- Restrictions and preferences that favour, say, local, Canadian, or small firms can result in a reduced level of competition in marketplaces. How certain are we about the purported benefits of these measures, and how do they stack up against the losses to consumers in terms of choice and competition?
- How much effort is being put into considering the costs, including time, of compliance with regulations and comparing them to the expected benefits? Many government charters and policies requiring such analyses are in place, but are they actually being followed?

How likely is it that mutual recognition agreements in which, for example, a nurse licensed in one province is deemed qualified to practise in other provinces, would really lead to a “race to the bottom” for standards with adverse impacts on the public?

Nova Scotia has stepped up as a leader among the provinces in advocating for the removal of trade barriers. How do we support this vision into fruition?

It is worth reiterating that regulations, standards, and licensing *are* important and valuable means of protecting the public interest. It is also reasonable and legitimate that different jurisdictions may make different choices on these matters. The questions we wish to delve into as part of *The Productivity Puzzle* initiative are whether current regulations and trade rules are designed for a useful purpose and up to date, effective, sufficiently flexible, and worth their associated costs and burdens.

Nova Scotia has stepped up as a leader among the provinces in advocating for the removal of trade barriers. How do we support this vision through to fruition?

In the Partnership’s most recent Halifax business survey, almost 40% of respondents cited the regulatory environment as a disadvantage to doing business. How can we collaborate to identify the pain points and work towards solutions? Do regulations support competition that benefits consumers? What changes can we make here in Nova Scotia to address labour shortages? What policy improvements will make Nova Scotians’ lives better by, for example, leading to an improved health care system and having more homes built more quickly?

We look forward to our many partners joining us in pursuit of answers and solutions.