

# U.S. trade protectionism the biggest threat to Canadian economy: Poloz

By David Parkinson

April 14, 2017 – *The Globe and Mail*

The spectre of U.S. trade protectionism is “the number one threat” to Canada’s economic well-being over the next several years, Bank of Canada Governor Stephen Poloz told a Senate committee in Ottawa on Thursday.

In response to a question at a hearing of the standing Senate committee on banking, trade and commerce, Mr. Poloz said the uncertainty surrounding the U.S. Trump administration’s trade policies is a major impediment to Canadian businesses investment, which has already been a weak point in Canada’s economic recovery. He said the U.S. trade outcome, while still impossible to predict, “will certainly be negative” for the Canadian economy, “and could even be a major shock.”

“It’s very, very significant for Canada,” he said. “I would say protectionism is absolutely the number one threat.”

His testimony follows Wednesday’s release of the Bank of Canada’s quarterly Monetary Policy Report, in which the central bank upgraded its 2017 economic growth forecast in light of a steady stream of strong economic indicators since the start of the year, but remained distinctly cautious about the future.

The bank said one of the key risks to its economic outlook is the threat of new trade policies that would hurt Canadian access to the U.S. market, including a possible renegotiation of the North American free-trade agreement, which has been the basis for integrated continental trade for more than two decades.

But with little clarity on what actions the U.S. government will ultimately impose, the central bank has resisted quantifying the potential impact on the economy.

“We really can’t give any figures,” the central bank’s senior deputy Governor, Carolyn Wilkins, told the committee, citing the wide range of protectionist measures the United States is still considering, involving a variety of trading partners.

“We really don’t know which of these measures are going to be chosen. We don’t know what the timing will be, either, or the scope of these measures,” Ms. Wilkins said. “But what we do know is, that at the end of the day, it will be negative for the Canadian economy.”

“I can tell you that there are base cases that could be very negative for Canada. But we haven’t seen that yet. And it’s not clear that we will see them,” she said.

Mr. Poloz believes the same uncertainty that is holding back the Bank of Canada’s forecasting is also keeping companies from investing in expansion, a factor that will continue to impede Canada’s economic growth.

“When we talk to companies today ... they talk mainly about what might be coming from the United States; what’s the future of NAFTA,” he said.

“For me, it’s the uncertainty that matters. Even if [U.S. policy makers] don’t do anything, companies are wondering, and they’re holding back on their investments today, which has a long-term effect on the economy. It’s slowing down employment growth in new sectors that would be expanding,” he said.

“Investment could be significantly higher if that were just cleared up – one way or the other.”