

3.6 Impacts If United States Moves To More Protectionism

This compares a Canadian forecast that presumes that the United States pursues a more "protectionist" trade stance with CASE IV, the case which combines tariff and non-tariff barrier reductions and the exogenous change in productivity. The tabulation on the following pages provides a summary of the effects.

Protectionism would diminish Canada's growth of real demand, output, employment, and incomes, and comparison of such a revised "base case" outlook to a fully enhanced trade arrangement yields the largest impact of any reported in this study. In the long term (2005), we estimate that the economy would be increased by more than 3 per cent and annual employment gains of more than 200,000 are generated. A notable feature of this impact is that on federal government balances, which are positively affected throughout. Recycling of those surpluses would increase the impact results reported, of course.

It should be noted that the comparison here tacitly presumes that trade enhancement with Canada leads the United States to forego protectionism against other countries as well. Were this not true, then Canada might benefit from diversion of United States imports from other countries, but United States economic activity would be depressed as compared to our principal base case, and this would be reflected in lower Canadian economic activity. In such an instance, and without trade diversion, the impacts would be similar in magnitude to those reported in the main Full Enhancement case.