

# The Technical Recession Is Only Part of Canada's Economic Picture

By Conrad Black

The alleged onset of a recession in Canada because of two straight quarters of annualized decline in the GDP is in itself nothing to be too concerned about. We are discussing a GDP decline of one-tenth of a percent in the first quarter on top of a decline of one whole percent in the fourth quarter of last year. The apparent fact of a decline in two consecutive quarters incites at least the [presumption of a recession](#). In this case, GDP was influenced by an unusually high level of imports in anticipation of potential tariff increases. This raised inventory that should be reflected in lower imports in many categories in subsequent quarters.



A worker walks past stacks of lumber at a mill in Maple Ridge, B.C., in a file photo.  
The Canadian Press/Darryl Dyck

These are in fact relatively reassuring numbers, given the uncertainty generated by U.S. tariff policy and over the renegotiation of continental free trade arrangements and gyrations in the oil price due to the Iran war. The last time there was a technical recession like this was at the start of the pandemic in 2020, and that had a much greater and more durable negative economic impact than anything that is now likely. Increased oil activity as well as rising oil prices will probably reflect positively on GDP numbers in the coming months, though they will also probably have some upward pressure on inflation levels

The visible influences on the Canadian economy in the balance of this year are relatively favourable. Almost the entire American private sector has lobbied the U.S. government to renew the U.S.-Canada-Mexico free trade agreement, though President Trump has indicated his reservations about existing arrangements with Canada governing automobiles and steel and aluminum. It has been a preoccupation of his that the United States does not need any auto parts or steel from Canada, but there appears to be a significant and persuasive economic argument to the contrary.

Since approximately three-quarters of Canada's exports are to the United States and more than three-fifths of our imports are from that country, the emphasis that has recently been expressed, at least verbally, in favour of varying our integration with the U.S. economy downward will be very gradual and comparatively limited, though not unwelcome. It is a commendable objective, but no one should [imagine it can be done quickly](#) or that China is a benevolent alternative. (The Americans don't [meddle in our elections](#), deliberately and wrongfully [detain our citizens](#), or conduct massive industrial espionage on the scale that [broke Nortel](#).)

More important even than the continental trade discussions is the positive shift in the ambience and tenor of the public exchanges between the leaders of the Canadian and U.S. governments. Prime Minister Mark [Carney's address](#) to the

Economic Club of New York last week, a prominent and traditional venue for important economic statements from both American and foreign leaders of great economic influence, was a conciliatory but also imaginative formulation of the Canadian economic interest and its complementarity with American ambitions, including the current official ambition to be "great again".

As a former central banker in two of the G7 countries, Mr. Carney is immeasurably more effective in putting forward the case for a constructive relationship between Canada and the United States, than he was in his election pose as a self-elevated Churchill shaking his fist across the Great Lakes as if Hitler's Wehrmacht and Luftwaffe lurked there, even if only in economic terms.

Another cause for optimism is the statement by Alberta Premier Danielle Smith that she does have confidence in Mr. Carney's determination to honour his part in [facilitating](#) the construction of a new oil pipeline from Alberta to British Columbia. This augurs very well for the condition of federal-provincial relations. Premier Smith emphasized the positive difference between Mr. Carney's determination to work on a compromise and the attitude of his predecessor, Justin Trudeau, who had been effectively brainwashed into such a terrorized notion of climate change that he overtly sought the shutdown of the fossil fuel industry as soon as possible.

This was essentially the attitude that has produced a distinct possibility for Alberta voting to secede and instantaneously become the most prosperous per capita country in the world as well as the petro-state with the highest quality of life. Mr. Carney's recognition of the national economic and political interest in greater oil production as well as the dangers of Western secessionism, along with a routine politician's appreciation of the gravity of what the polls can foretell, indicates a more positive federal-provincial relationship and more vigorous promotion of investment and export than was the practice under the Trudeau government.

The prime minister has very unambiguously proclaimed his ambition to generate increased foreign investment in Canada, which it desperately needs in order to undo the terrible damage done by a decade of negative international cash outflows. He presumably recognizes that we will not attract investment to this country in anything like the quantity that is required for Canada to regain the position it long held but has lost of having 90 percent of the per capita personal income of the United States, without a corporate income tax rate competitive with that of our neighbour. Of all the economic blunders of the Trudeau government, perhaps the greatest was leaving our corporate income tax rate at 5 percent above that of the United States when the Trump administration cut its rate. That effectively ensured a profound reduction of foreign investors' interest in Canada, which had been based on advantageous tax and exchange rates and free trade access to the U.S. market (25 percent of the world's economy).

Ever since Mr. Carney became Liberal leader and prime minister, there has been public curiosity about his view of the priority between his longtime fervent adherence to climate change alarmism, and his recognition of the economic and political requirement—both for his own government's popularity and the integrality of our Confederation—to discourage Western and even Quebec secessionism. Though the composition of his parliamentary party requires him to straddle these climate change issues in a way that is expensive, it is an immense relief to see that he places the unity and prosperity of the country ahead of his own policy foibles.

All of these factors vastly outweigh the technical imputation of recession to the Canadian economy. Most of our trade relationship with the United States will continue, and despite public discontent with rates of inflation, largely generated by the price of gasoline, the American numbers are robust. That all bodes well for us, given that half of Canada's GDP is

trade with the United States. So does the prime minister's very well-crafted and intelligent address to the American economic leaders in New York last week.

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