sensitive to the FTA do not appear to have fared worse than manufacturing as a whole. Moreover, he argues that the poor employment performance of some sectors was primarily due to factors other than the FTA—for example, import competition from non-US sources (leather and electronics products), the recession (construction materials), or long-term decline not related to trade (fish products, shipbuilding).

c) Trefler (1999) finds that the FTA reduced employment in manufacturing by about 5 percent over the 1988-1996 period while industries exposed to large tariff cuts experienced relatively large employment declines of about 15 percent over that period.

d) Beaulieu (2000) distinguishes between skilled and less-skilled workers using production and non-production works as proxies for each group respectively. He finds that the FTA lowered employment among less-skilled workers but had no impact on skilled workers.

Another aspect of trade liberalization that has received a lot of attention is its potential impact on the distribution of income and wages. There is a school of thought that argues that the rising inequality between the skilled and unskilled in OECD countries is due to increased competition from low wage unskilled labour in developing countries. The available evidence suggests trade is not the answer, and most analysts have come to the conclusion that technological change, which is biased against employment of low skilled workers, has been the major cause. Slaughter (1999) provides a useful summary of this debate.

In Canada, the trade and wages debate, as it is known, has been quite muted. This is for the simple reason that Canada has not experienced the same rise in skill premia that occurred in the United States and other countries although the same general trend has been observed here. In the case of the FTA, the argument was clearly less relevant as opening up Canadian markets to US imports was a case of opening up the economy to high wage, not low wage competition. On the other hand, the FTA might have hastened a process of structural change that was under way, leading to job losses or wage losses for unskilled workers. Total manufacturing employment in Canada declined from 2,130,000 to a low of 1,786,000 (or 16.1 percent) between 1989 and 1993. Job losses among production workers was larger in percentage terms than among non-production workers. However, manufacturing employment, in absolute size, has actually increased since then and surpassed 2,300,000 in 2002. As noted by Curtis and Sydor (2005), Canada has been one of the few industrialized countries to have increased total manufacturing employment over this period and trade has played an important role in this.

There are only a few studies on the link between the FTA and the relative wages of low-skilled workers in Canada. These focus on the manufacturing sector only and offer somewhat conflicting evidence. Some find a positive impact of trade on the relative wages of low-skilled workers in Canada. For example, Trefler (1999) finds that the FTA increased the wages of production workers relative to non-production workers in manufacturing. Gu and Whewell (2000) report that imports to Canada are in fact more skilled-labour-intensive than Canadian manufacturing exports and suggest that increased trade has not hurt the wages of unskilled versus skilled workers. In contrast, Baldwin and Rafiquzzaman (1998)