

and Quebec, leading to a small negative impact on the population of the two provinces. This mitigates the strong positive impact of activity in Ontario's durables manufactures and reinforces the impact in Quebec of the modest gains in its goods producing sectors.

While the generally strong impacts in manufacturing enable Manitoba to approximately match those of the national average, the positive impact on activity in the rest of the Prairies falls short. This reflects the dominating influence there of agriculture and energy production. It may be recalled that we have assumed the trade enhancement would have little direct impact on energy production. If this assumption is relaxed, then the region (as well as the country as a whole) would realize stronger gains. British Columbia and the Territories register average gains in activity.

The largest employment gains, as a proportion of expected base case levels, are again registered in the Atlantic provinces. Initially, the weakest gains are registered in Central Canada, which experiences its output gains in high productivity industries, and in Saskatchewan and Alberta where output increases least. Other provinces approximately match the one per cent overall increase in employment that is registered by 1992. In later years, the Atlantic continues to benefit most, but accelerating activity in manufacturing aids Ontario and Quebec in closing the gap between their gains and those of the country as a whole. Despite this picture, it should be noted that the largest employment increases will be concentrated in Central Canada.

The impacts on real incomes of households (measured in Table 3 as before-tax incomes) is more evenly distributed across provinces, and approaches the traditional view that enhanced trade will benefit the periphery. In these terms, income gains in the Atlantic approximately match, or are slightly smaller, than the Canada average, reflecting the fact that increased, productive employment would substitute for unemployment insurance and other transfers from governments to households. In contrast, gains on the Prairies, where transfer incomes are already a small part of household income, exceed those of the national average. The modest gains in Quebec reflects the concentration of low-productivity manufactures and a loss of transfer incomes. Ontario benefits because of the comparatively high wage rates paid in its industries. In short, the comparatively even dispersion of impacts on household incomes reflects both the industrial sensitivity of enhanced trade and the "safety net" system that has been constructed in Canada over the past two decades.