economy is exposed to international trade. One has to deal more directly with the issue of the relative magnitudes of job creation and destruction.

In Canada, it is generally clear from evidence in the 1990s that increased trade exposure of the economy has driven a great deal of job creation, for whatever reasons those trade increases occurred. A central question is whether employment gains in export-oriented and related sectors compensate for employment losses in industries facing import competition, or alternatively whether jobs are reallocated from the tradables sectors—notably manufacturing—toward non-tradable sectors such as services. It is first worth pointing out that a large number of jobs in Canada depend on exports. Gera and Massé (1996) found that the expansion of exports accounted for around 75 percent of new jobs (1.4 million) between 1971 and 1991. A Statistics Canada study (1999), estimates that in 1995 around one in five jobs in Canada was directly or indirectly related to exports. On balance, the available evidence suggests that the net impact of trade on employment has been positive. Gera and Massé (1996) found that, despite the negative employment impact of imports, trade accounted for 23 percent (719,000) of net new jobs in Canada between 1971 and 1991. However, during the second half of the 1980s, trade had a small net negative impact on employment.

As in the last section in which the question is more specifically focused on the impact of a particular trade agreement on jobs, it becomes more difficult to make a definitive assessment. In the 1970s and 1980s, there were a large number of studies on the labour market adjustments required by trade liberalization. The OECD (1989) conducted a number of studies on the employment effects of trade liberalization and summarized the evidence available at that time. It concluded that the net impact of trade liberalization on employment is in general small relative to that occurring for other reasons, such as technological change. It is commonly argued that trade amongst OECD countries can be characterized as intra-industry (i.e. trade in similar products). Adjustment in this case involves shifting employment and other factors of production within a firm to new production lines, or shifts within an industry. As the bulk of trade liberalized under the FTA was characterized as intra-industry rather than inter-industry trade it was argued that labour adjustment under the FTA would be less of a problem.

The emergence of the deep and long recession that began in 1989 led many to associate job losses in the recession with the implementation of the FTA. What is apparent is that the recession and the FTA simultaneously led to large pressures for structural adjustment in the economy. There are a number of Canadian studies which look at the impact of the FTA on employment through a comparison of high and low protection sectors.

a) Gaston and Trefler (1997), argue that the FTA was not the primary cause of most of the job losses in the Canadian manufacturing sector during the 1989-1993 period. According to the authors, FTA tariff cuts account for no more than 15 percent of employment losses. They find that most of the employment losses were due to the recession of the early 1990s, which they attributed to the Bank of Canada's fight against inflation, a consequence of which was high domestic interest rates and a strengthened Canadian dollar.

b) Schwanen (1997) argues that the FTA did not contribute to Canada's employment problems in the early 1990s in any significant way. Sectors most