to about 25 percent in 1996. The ratio of the stock of outward FDI to GDP increased from about 7 percent in 1970 to 22 percent in 1996. That is, in 1996 Canada had about the same stock of outward FDI as inward FDI. They make no attempt to link these results directly to NAFTA. However, the timing suggests that FTA and NAFTA were at least partially responsible for these trends, and the news is certainly not bad. Generally, greater outward FDI tends to encourage exports and thus is trade creating. This type of result is now more common in the international literature. A recent OECD study by Fontagne (1999) using a large data set on FDI flows within the OECD finds complementarity between trade and FDI. He concludes that for each additional dollar of outward FDI around two dollars of additional exports are created. It appears therefore in the modern period, outward FDI has become a powerful trade creating mechanism.

Jobs, Wages and Employment

The argument that trade should be limited because imports destroy jobs is probably the oldest and most frequently advanced in public policy debates on trade and globalization. The argument was heard both in the public debate leading up to the FTA and in the NAFTA debate. It played a much larger role in US public discussion on NAFTA than was the case in Canada, however, likely due to the closer proximity to Mexico. Given the export-oriented nature of the Canadian economy, it may also be the case that most Canadians are aware that exports create jobs. In the short to medium run, following a shift in trade policy, it is possible a trade deficit or surplus may arise, and thus jobs created by exports may be more or less than offset through jobs destroyed by increased imports. But in the long run these ought to balance out. Most economists argue that movements in the rate of employment and unemployment have far more to do with macroeconomic factors and shifts in labour force participation rates than they do with trade policy. To quote trade historian Douglas Irwin:

> *In fact, the overall effect of trade on the number of jobs is best approximated as zero. Total employment is not a function of international trade, but the number of people in the labour force.* (Irwin 2002, page 71)

Nevertheless there are a large number of studies in the US that attempted to isolate, using various methodologies, the short to medium run impact of NAFTA on US jobs. One study, Hinojosa-Ojeda et al. (2000), looks at the impact in the US labour market of imports from Canada and Mexico over the period 1990 to 1997. Looking just at imports, they estimate that job losses within the US due to imports from Mexico would be 299,000, and would be 458,000 for imports from Canada. That is an average of 37,000 jobs *per year* for Mexican imports and 57,000 *per year* for Canadian imports. As they observe, considering that the US economy creates over 200,000 net new jobs *per month* and causes the separation of about 400,000 workers *per month* from their jobs, the small relative share of potential job impacts from this trade is apparent. This type of argument, however, does not carry as much weight in Canada when a much larger share of the