

are other potential competitive effects of EMU, which stem from the increase in the relative rate of protection in the EU due to the elimination of internal costs relating to the introduction of the single currency. This effect is not strictly speaking "trade diversion", as it does not result from the formation of a customs union. Also there is another key distinction between this effect and "trade diversion": this effect applies to all extra-EU trade, but "trade diversion effects are differentially applied given the product and service specialisations of the union participants⁷. To be accurate, these effects should perhaps be labeled negative "external trade pattern" effects, rather than as "trade diversion" effects.

Lastly, the role of competition and protectionism must not be ignored. It is a general rule that large countries (in terms of population rather than geographical area) tend to more protectionist than small countries. While protectionist pressures in the EU have not been so alarmist as in the US, it is possible that after EMU the stronger international position of the EU Member States could lead to more protectionism with respect to countries outside the EU than hitherto has been the case.

8. Assessment of Effects on Canadian Companies: Survey Results

As part of this study, a survey was distributed to Canadian companies and they were asked to respond to various questions regarding their activities in the EU, and their attitudes and opinions about EMU. The questionnaire used for the survey is located in annex A, while a statistical analysis and commentary on the results is located in Annex B.

The survey form was distributed to a wide variety of Canadian exporting companies, the distribution list being obtained from a list of Canadian exporting companies that were known to be exporting to the European Union in 1994. The list was compiled and notated by the Department of Foreign Affairs and International Trade (DFAIT). The companies were sent a form, together with a stamped, addressed envelope and they were asked to complete and return the survey form with an extremely short deadline. Although the response rate of 7 percent was disappointing, this was partially due to the fact that the DFAIT listing was out of date, as many companies had moved their headquarters or had simply gone out of business in the intervening three years. Even so, the response to the survey did include a wide variety of exporting companies to the EU, ranging from small companies to large MNEs and ranging across nearly all industry classifications. In this sense, and in this sense alone, the survey can be thought of as representative.

The survey covers only Canadian exporters, and does not incorporate any information regarding Canadian importers. This clearly leads to further caveats being placed on the results, as importers are more likely to be invoiced in euros after 1999, so the results could be viewed as a lower bound for Canada-EU trade in general.

8.1 Trade and Investment Interests in the European Union

Most of the companies surveyed had a small proportion of their sales as exports to the EU. Of the exports to the EU, the most popular destination countries were the UK, Germany, Ireland and France. The most popular invoicing currencies were the Canadian dollar by volume of exports, but by number of times mentioned, the Canadian dollar tied with the US dollar followed by the Deutschmark and the French franc.

⁷ I wish to thank André Sapir of CEPS for a useful discussion in Montreal in May, 1997, on this issue.