

- There may be secondary impacts as a result of changes in European competitiveness, direct investment and capital market flows, and trade diversion effects. However, it is very difficult to measure the impact of such developments on Canada, and after reviewing them, this paper concludes that these indirect effects will not be large. One of the advantages of Canada's open trade and capital markets and floating exchange rate is that such external changes, if they occur, can be absorbed and accommodated with a minimum of disruption. If European productivity, growth and incomes rise in the long run as an indirect result of EMU, Canada's open economy should benefit from the trade creation effects.
- If Europe enters a period of stagnation after EMU as a consequence of a hard euro currency policy, fiscal policy constrained by the Stability Pact, and lack of action to deregulate markets, calls could arise within Europe for a more protectionist approach to trade and multilateral trading arrangements. The official view within Europe, however, is that EMU will stimulate economic activity there.
- There are a host of technical issues which may be relevant for Canadian trade and financial market participants in Europe, not the least of which may be the trade opportunities associated with the information technology upgrades needed for EMU. The Bank of England and the French Conseil National de Cr dit among others have published useful technical documents on the EMU transition.