**Table 3.6**
Three Long-term Scenarios for Euro-Invoicing of Canadian Trade
(using 1996 regional trade breakdown)

| Region | Exports % | 20% ROW Euro Invoicing | 35%ROW Euro Invoicing | 50% ROW Euro Invoicing | Imports % | 20% ROW Euro Invoicing | 35% ROW Euro Invoicing | 50% Euro Invoicing |
|---|---|---|---|---|---|---|---|---|
| NAFTA | 81.9 | 0.0 | 0.0 | 0.0 | 70.0 | 0.0 | 0.0 | 0.0 |
| EU | 5.6 | 4.3 | 4.6 | 5.2 | 9.8 | 7.5 | 8.0 | 9.0 |
| ROW | 12.5 | 2.5 | 4.4 | 6.3 | 20.2 | 4.0 | 7.0 | 10.1 |
| Total | 100.0 | 7.1 | 9.0 | 11.5 | 100.0 | 11.5 | 15.0 | 19.1 |

Notes: NAFTA trade is not assumed to use euro invoicing
EU trade is assumed to use the proportions laid out in table 3.4 for euro invoicing i.e. when ROW uses a proportion of 20%, the EU is assumed to use 77% euro invoicing; the ROW 35%, the EU 82%; and ROW 50%, EU 92%.

Source: Own calculations

Table 3.6 suggests, as with the short-term effects, that the impact of trade invoicing in euros will be felt more greatly on the import sector of the Canadian economy, rather than the export sector. At most, using the 1996 export disaggregation, only 11.5 percent of total exports would be denominated in euros (representing roughly C$31.9 billion of trade in 1996), whereas, at most, just under 20 percent of imports might be denominated in euros (representing C$44.5 billion in 1996). Although these figures pale in significance with the US trade flows, which clearly dominate Canadian trade, it cannot be said that they are insignificant.

The conclusion on trade invoicing, therefore, is that in both the short-term and the longer-term, the US dollar is likely to still represent the preferred currency of denomination of trade for Canada, but that the euro, if its launch is successful, may come to be the second most used foreign currency for trade denomination, and particularly for imports. For Canada, under a best case for scenario for EMU, this means that up to just under 12 percent of exports may eventually be denominated in euros, and just under 20 percent of imports may be denominated in euros. Of course, this assumes that the percentage of exports and imports to the EU remains identical to the 1996 levels, but this may change, particularly if more countries join the EU, or if Canada actively seeks to diversify its trade interests away from the US. In the present circumstances, neither scenario appears likely over the next decade, so using data for 1996 should not be distortionary. In addition, it would seem presumptuous to extrapolate current trends for exports and imports, as this would entail further assumptions about exchange rates and other macroeconomic variables.

There are several other issues that are also of concern in relation to Canada's trade and the beginning of EMU. These items will be dealt with in section 7. We now turn to services issues.