

given under the various scenarios given in table 3.3 would be used to invoice Canadian importers. On the export side, figures given in Ilzkovitz (1994) for EU import invoicing can be used for the same categories given in table 2.3 to derive euro invoicing for Canadian exports. Table 3.5 shows the results of this exercise.

**Table 3.5**  
Calculating Euro Invoicing for Canadian Exports and Imports applied to 1996 Data  
(in percentage terms)

Scenario for Euro Invoicing Share	Canadian Exports to EU	Total Canadian Exports	Canadian Imports from EU	Total Canadian Imports
US	80.0	2.98	92.0	6.81
as per 1992 patterns	na	na	82.0	6.07
Germany	55.9	2.09	77.0	5.70
France	46.7	1.74	54.6	4.97
Netherlands	38.9	1.45	43.1	3.22

Sources: Ilzkovitz (1994) and own calculations

The calculations clearly show that for exports, the percentage of total Canadian exports that will be invoiced in euros is extremely small, ranging from around 1.5 percent to 3 percent, depending on which scenario is used. For Canadian imports (equivalent to EU exports) the figure is, as expected, higher, ranging from just over 3 percent of total imports to nearly 7 percent of total imports.

The third approach is to use data that was collected as part of the survey that accompanies this report. The results (reported in an annex), indicate that roughly 16 percent of total exports by sales volumes were invoiced in European currencies. Translated into figures comparable with those presented in table 3.5 above, this suggests that less than 1 percent of total Canadian exports would be invoiced in euros. This method suffers from a variety of shortcomings - most notably that the survey responses might not be representative of Canadian exporters as a whole (- the survey results do not represent a random sample of exporters).

Given the above results, there appears to be little immediate concern for a country like Canada in terms of the effects of EMU on current trade invoicing practices. From the three approaches employed above, even if EMU is extremely successful, only 2 to 5 percent of Canadian exports and between 5 and 7 percent of Canadian imports will be denominated in euros. There may, however, be "follow-on" effects, as the currency gains greater acceptability, and becomes a major trading currency in the foreign exchange market. These "follow on" effects are now considered.

### 3.3 Longer-term International Effects of EMU on Trade

In the longer term, if the launch of the euro as a single European currency is successful, and Member States other than those chosen as the "first wave" of countries decide to adopt the euro, then a critical mass of users may create significant "network externalities", so that significant growth in usage of the currency occurs outside the EU (see Reynolds (1993) for an interesting model which tries to capture these externalities, but specifically in the EU during the transition period). This scenario is only likely in certain circumstances, and although the sanguine assumptions necessary for such an outcome currently seem unlikely, if such a scenario did come to pass, it would profoundly affect the world economy and international macroeconomic policy coordination.