

The majority of the respondents were aware of their foreign exchange risk, and they either used the Canadian dollar for trade invoicing or they pooled their risk among several markets. Over 15 percent of respondents hedged against foreign exchange risk.

The fastest growing markets for Canadian exporters appear to be in the UK or in Germany, and these two Member States appear to hold out the best prospects for future export growth.

The most popular destination for FDI in the EU appears to be the UK in terms of numbers of subsidiaries, but Germany in terms of the amount of export sales accounted for by the subsidiary. The majority of companies were satisfied with EU exporting prospects or were optimistic - around 20 percent of respondents were pessimistic about prospects for their exports in the EU.

8.2 The Single Currency

Nearly all of the respondents had heard about the introduction of the single currency in the EU, so awareness among Canadian exporters is fairly high. Just over half of the respondents (55 percent) plan to use the single currency as part of their export invoicing, and most of the respondents found out about the introduction of the single currency either through their bank (45 percent) or else through a consultant (27 percent). The high percentage of respondents that plan to use the euro for invoicing purposes tends to reinforce the tentative conclusions reached earlier, in section 3 of the study.

On a scale of 1 to 5 (no impact to large and significant impact), respondents thought that the single currency would have some impact on Canadian trade and investment (- an average response of 2.35 was obtained). Respondents thought that the competitiveness of their businesses would not be affected by the adoption of the euro in the EU (on a scale of 1 to 5, 1 being adversely affected, 3 no effect, and 5 beneficially affected, a score of 3 was obtained), and that the competitiveness of their business with the rest of the world would also not be affected (with the same scale, a score of 2.9 was obtained).

Although most companies had some information about the introduction (on a scale of 1 to 5, 1 being not enough information and 5 being more than enough information, a score of 3.1 was obtained), but most companies perceived that little more preparation needed to be done (on a scale of 1 to 5 with 1 indicating nothing and 5 indicating a lot, an average score of 2.4 was obtained. In terms of internal considerations, many companies expect to have to modify their internal accounting procedures to take into account the introduction of the single currency (at 43 percent), and many companies also expected to have to change their banking arrangements (at 29 percent).

As might be expected, the majority of respondents thought that Germany and France would be the most likely Member States to proceed to EMU in the first wave, followed by Belgium, the Netherlands and Luxembourg. Strangely enough, fewer than half of the respondents thought that Austria or Ireland would be in the first group of Member States, but not surprisingly most thought that both Italy and the UK would not be in the first wave.