

to produce heavy machinery components such as gears and gearboxes that can no longer be competitively produced and shipped from Germany. It is worth emphasizing that the German machinery market has evolved to the extent that strategic alliances and joint ventures for Germany and also for third countries are the opportunities of the future.

#### *Major companies*

Major machinery players such as Klöckner Industrie-Anlagen and Heidelberg are important buyers of Canadian machinery, parts and technology. Others such as Mannesmann and Hochtief, active in Eastern Europe, are interested in partnering. Information on these firms is readily available through the VDMA industry association

and Frankfurter Allgemeine Zeitung Info Services. Furthermore, German trade shows offer an ideal opportunity to learn more about a particular company. As in many other countries, the role of the agent and distributor is evolving and companies wanting to export to Germany are

finding success by forming strategic alliances and joint ventures with German manufacturers of complementary products.

#### *Opportunities and constraints*

Of interest to parts exporters is the current trend for German machinery companies to purchase from Hungary, Poland, the Czech Republic and Slovakia where jobbers manufacture non-essential components. A VDMA study found that German machinery companies using this approach achieved cost savings of 30% to 40%. Although productivity is 15% of the German level, Czech and Slovak wages are 10% of those in Germany, not counting the employer's 50% contribution to social insurance. Yet trade figures show these countries are no threat to German manufacturers whose total revenue is expected to rise by as much as 5% in 1996 with the USA as the key growth market for the industry.

Canadian firms, used to finding an agent with minimum difficulty in the USA, will find the choices in Germany to be more limited and the process undoubtedly more time-consuming and expensive. To set up an office requires careful budgeting given the high cost of living and the strength of the DM. Recently, German companies have been more inclined to deviate from "Buy Germany" when it comes to purchasing equipment if the seller can establish a reliable sales and service track record.

Canadian exporters of end machinery products whose prospects depend normally upon the business conditions in the marketplace, must obtain information on the business environment of their specific sector. For example, a Canadian exporter of fans and ventilators for mines must usually determine whether demand in the German mining sector in Germany is expanding.

According to VDMA, in 1994 machinery companies had shipments of \$189 billion, imports of \$66 billion, and exports of \$113 billion which accounted for 18% of total German exports. Family-owned SMEs dominate the 3000 manufacturers that account for the largest share of exports. However, companies with 1000 and more employees (over 70 firms) account for 27% of industry employment and 40% of its revenue. The largest sub-sectors are: materials handling, business machines and information technology, food and packaging equipment, air handling, machine tools, contractors' plant, building material machinery, printing and paper, transmission engineering, valves and fittings, precision tools, textile and agricultural machinery and tractors.

#### *Objectives for the next five years*

The primary goal will be to provide timely market intelligence and information to Canadian suppliers. In this regard, when a sizable component of the Canadian machinery industry is interested, market reports will be prepared which present opportunities, potential German partner profiles and promotional events. In addition, a continued effort will be made to promote awareness of the value of the German machinery trade show which offers the best vehicle to promote Canadian exports, investment and partnering arrangements. It is worth mentioning that since many of the machinery trade shows in Germany are the most important and largest of their kind, the benefits for Canadian participation extend beyond the borders of Germany. One has only to remember that the theme of these events is "where the world shops."

#### *Activities*

K '98	October 1998, Düsseldorf International fair for plastics and rubber
Anuga FoodTec	November, 1998, Cologne International fair for food technology
Interpack	May 1999, Düsseldorf International fair for packaging material and equipment
DRUPA	May 2000, Düsseldorf World largest fair for printing equipment
Market intelligence	Visits to machinery manufacturers to identify sourcing and partnering opportunities and potential for investment; "How to" guides on specific machinery sub-sectors;

*" The pressure on German manufacturers to achieve cost savings favours Canadian suppliers "*

