

Negotiations (MTN), the General Agreement on Tariffs and Trade (GATT), and the International Energy Association (IEA).

Like the FRG, Canada participates in disarmament negotiations such as the Conference on Arms Control and Disarmament (CAD) and the Mutual and Balanced Force Reduction (MBFR), where the FRG's defence and security interests are directly engaged.

Canada-FRG trade and economic cooperation has intensified in recent years. The FRG is Canada's third leading source of foreign capital. Notably, it provides substantial amounts of investment in Canadian government obligations -- federal, provincial and municipal -- with an annual flow of between C\$2 and 3 billion. Two-way trade in 1987 was valued at \$5 billion with Canada incurring a deficit of \$2 billion. In 1987, Canadian exports to the FRG rose by 20 per cent while two way trade grew nine per cent.

Although Germany is Canada's fourth largest trading partner after the USA, Japan and Britain, it purchases only 1.4 per cent of Canada's total exports. Similarly, Canada absorbs less than 1 per cent of the FRG's total exports. German investment abroad has increased significantly in the past two years, particularly in the chemical industry. Companies as Hoechst and BASF now produce the overwhelming part of their US sales in North America. Direct investment to Canada has increased substantially in 1986 (C\$280 million) over 1985 (C\$98 million), as has portfolio investment in equity.

Cooperation under the Science and Technology Agreement has built up steadily during its 16 years of operation. The most active areas are marine science, non-nuclear energy, geoscience and remote sensing. New areas currently under discussion include biotechnology, environment, coal processing, slurry pipelines and transportation. Attempts are being made to involve industry in addition to government agencies.