

RPTB1

## TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

## 89/90 TRADE AND ECONOMIC OVERVIEW

Mission: BONN

Country: GERMANY WEST

THE FRG IS THE DOMINANT ECONOMY IN EUROPE. ALTHOUGH PLAGUED BY STRUCTURAL RIGIDITIES AND A HIGH UNEMPLOYMENT RATE, THE ECONOMY GREW BY A SURPRISING RATE OF 3.5 PERCENT IN 1988 AND INFLATION WAS HELD AT A VERY LOW RATE IN THE RANGE OF ONE TO TWO PERCENT. GROWTH IN 1989 IS EXPECTED TO MODERATE TO ABOUT TWO PERCENT. IN THE ABSENCE OF ANY MAJOR RESOURCE ENDOWMENTS (OTHER THAN COAL), THE ECONOMY RELIES ON MANUFACTURING HIGH QUALITY TECHNOLOGICALLY ADVANCED PRODUCTS DEVELOPED AGAINST THE BACKGROUND OF A SERIOUS COMMITMENT TO RESEARCH AND TECHNOLOGY DEVELOPMENT BY THE PRIVATE SECTOR AND ALL LEVELS OF GOVERNMENT.

2. THE FRG MARK IS THE STRONGEST CURRENCY WITHIN THE EUROPEAN MONETARY SYSTEM AND, ALTHOUGH IT HAS RECENTLY MODERATED, IT IS STRONG AGAINST THE DOLLAR. HOWEVER, THIS HAS NOT IMPAIRED THE COUNTRY'S ABILITY TO ACCUMULATE HUGE TRADE SURPLUSES. GERMANY REMAINS THE WORLD'S LARGEST EXPORTER WITH A SURPLUS OF \$ US 45 BILLION; IT IS ALSO THE WORLD'S SECOND LARGEST IMPORTER AND IT IS ENCOURAGING TO NOTE THAT IMPORTS HAVE BEEN RISING FASTER THAN EXPORTS RECENTLY. THE FRG IS CANADA'S FOURTH LARGEST EXPORT MARKET TAKING \$ 1.8 BILLION WORTH OF PRODUCTS IN 1988.

3. AGAINST THIS BACKGROUND, THE FRG PRESENTS AN IDEAL EXPORT MARKET AND INVESTMENT AND SCIENCE AND TECHNOLOGY SOURCE FOR CANADA. OUR RESOURCES ARE AND ALWAYS WILL BE IN HIGH DEMAND; OUR SEMI- AND FULLY-MANUFACTURED EXPORTS WHICH HAVE BEEN GROWING RECENTLY ARE BECOMING INCREASINGLY COMPETITIVE DUE TO THE DIRECTION OF CURRENT EXCHANGE RATES; AS THE FRG REMAINS ON THE LEADING EDGE OF APPLYING THE RESULTS OF RESEARCH AND TECHNOLOGICAL DEVELOPMENT TO INDUSTRIAL APPLICATIONS, OUR FIRMS CAN LEARN AND ACQUIRE THESE APPLICATIONS TO INCREASE AND DIVERSIFY OUR OWN INDUSTRIAL OUTPUT; CAPITAL CONTINUES TO FLOW OUT OF THE FRG AND WITH THE ACCESS TO THE USA MARKET RESULTING FROM THE FTA, CANADA WILL BE AN ATTRACTIVE LOCATION FOR INVESTMENT; THE STRONG MARK AND GERMAN PROPENSITY FOR TRAVEL PRESENT EXCELLENT OPPORTUNITIES TO ENCOURAGE TOURISM.

4. THE BONN TRADE SECTION IS RESPONSIBLE FOR TRADE PROMOTION IN THE FOLLOWING SECTORS. -DEFENCE PRODUCTS, -SECURITY EQUIPMENT, -CONSUMER PRODUCTS, (-BOOKS, -MUSICAL INSTRUMENTS, -ART AND HANDICRAFT), -TRANSPORTATION & DISTRIBUTION SERVICES, -MARINE AND SHIPBUILDING.

5. THERE ARE SIGNIFICANT TRADE POLICY ISSUES LOOMING IN THE YEARS AHEAD. AS A MAJOR EXPORTING NATION, THE FRG WILL BE AN IMPORTANT ALLY FOR CANADA IN OUR ENDEAVOURS TO ENSURE THAT OUR ACCESS INTERESTS ARE ACHIEVED IN THE URUGUAY ROUND AND TO ENSURE THAT THE MOVEMENT TOWARD AN EC INTERNAL MARKET FREE OF BARRIERS BY 1992 IS NOT DONE BY ERECTING BARRIERS TO NON-EC TRADE. IN SOME AREAS, AGRICULTURE AND CERTAIN INDUSTRIES FACING STRUCTURAL PROBLEMS SUCH AS COAL, THE FRG IS NOT AS PROGRESSIVE IN ITS INTERNATIONAL POLICY AS THEY ARE OVERALL. WE MUST WORK CAREFULLY TO ENSURE THAT THEIR POLICY POSITIONS, REFLECTED IN BRUSSELS, ARE AS LIBERAL AS POSSIBLE TO ENABLE CANADA TO ACHIEVE OUR MARKET ACCESS GOALS.