

This country report concentrates on investment trends for West Germany. The report highlights key economic indicators that characterize the importance of Germany as a global provider of investment dollars, and highlights the importance of Canada as a target of German investment during the period from 1988 to 1993.

During this period, major political and economic changes have occurred in West Germany, leading up to and subsequent to the amalgamation of the East German republic with the West German state. These major developments have had a major impact on the behaviour of German investors, and on the amount of investment flowing to and from the unified Germany. In particular, the former East German half of the country is in need of massive investment to modernize its economy. However, because records of investment flows were not kept under the communist regime, historical data on East German investment trends cannot be presented here.

Investment statistics used in this country report were obtained from the German Bundesbank, which maintains data on international capital links, including foreign direct investment (FDI) stocks. In the case of industry-specific data, the statistics were derived from the DealWatch publication mentioned in the compendium report. These statistics refer only to West German investment, and do not include data on the former East German republic. However, as mentioned above, the investment needs resulting from the requirement to modernize the former East German economy are likely to result in relatively little investment outflows from the former East Germany. Consequently, it is likely that almost all German investment is in fact captured by the data on West Germany.

West Germany is the third largest country in the world in terms of GDP after the U.S. and Japan, with a GDP of more than U.S. \$1,646 billion in 1993. However, German investment stocks abroad are relatively modest (like Japan). In 1986, stocks of German Direct Investment Abroad (DIA) represented U.S. \$58 billion. By 1993, stocks of German investment abroad had grown substantially