

Table 3 - Direct foreign investment

(Outflow from selected countries in US\$ billions)

1992	42	19	17	18
1993	58	26	14	12
1994	58	30	18	19
1995	97	38	35	22
1992-95	255	113	84	71
	USA	U.K.	Japan	Germany

Source: OECD, *International Direct Investment Statistics Yearbook, 1996*

Germany is the world's third largest contributor to R&D. Among its most commendable achievements, Germany has been able to coordinate effectively the efforts of its fundamental and applied researchers and the transformation of their realizations into industrial processes or finished goods. The existence of a cooperation agreement with Germany and with the European Union increases the attractiveness of Germany as a technology partner.

Table 4 - Gross domestic expenditure on R&D 1994

GERD (US\$* billions)	156.2	67.1	33.5	23.9
GERD per capita (US\$*)	659	600	459	451
GERD in % of GDP	7.6	7.8	5.9	5.9
	USA	Japan	Germany	France

Source: OECD quoted from *Industry Canada, Selected science and technology statistics and OECD, Basic Science and Technology Statistics 1995*; * Dollars purchasing power parity 1990

Germany is a door to neighbouring markets. Germany is located at the centre of Europe. It is indeed an ideal entry point to the European market. Especially if a company looks towards Eastern Europe, business links with the former Council for Mutual Economic Assistance (COMECON) countries make the German connection an effective way to develop these emerging markets. The centuries-old tradition of trade fairs also make Germany the place where the world shops. Later in this document, a detailed discussion will be presented on this subject.

In summary, Germany is:

- a rich market
- an outstanding technology partner
- an important source of foreign direct investment

Behind statistics: an analysis of German imports

Germany was Canada's fifth largest export market in 1995. According to Canadian statistics, Canadian shipments to Germany were \$3.15 billion. The main items were forest products, metal ores, oil seeds and finished industrial products ranging from aircraft to filtering machines. Canadian imports from Germany totalled \$4.8 billion and consisted of a wide range of mostly end products of which the largest item was vehicles and parts.

Table 5 compares German imports from all countries and from Canada for 1988 and 1995. German statistics, higher than Canadian for a number of reasons, show purchases from Canada at DM 5.36 billion (about \$4.9 billion) and suggest that the bilateral trade is nearly balanced. German statistics show imports from Canada in 1995 at 23% more than in 1994.

The changing Canadian share of total German imports in recent years reflects developments such as reduced fish catches and liberalized access for products such as oilseeds as a result of the GATT. End products accounted for more than one-third of the total Canadian exports to Germany for 1995—a steady increase from 21% in 1988.

While the bulk of Germany's foreign trade is with its EU partners, an analysis of its imports from the USA can provide Canadian exporters a useful point of reference. If we set 10% of German imports from the USA as a benchmark for comparing Canadian trade, a number of promising areas stand out. For example, the USA sold \$240 million worth of residue plant food products and feeds to Germany in 1994, while Canada sold 1/1000 of that amount. Tobacco imports from Canada have shown a marked reduction in both the sales and the market share in recent years and are now less than 1% of those from the USA. Basic product shipments such as plastics and primary chemicals show a similar comparison.

End products are highlighted in the Table 6. The listed items comprise about 95% of total end products imported from both Canada and the USA but just over 75% of total German end products imports. Most interesting are the opportunities suggested by the low market share of Canadian exporters of a wide range of products including aircraft and components, electro-technical products (for Canada mainly D.C. motors, telephone equipment and software), office machine parts, pharmaceuticals, and miscellaneous machinery.

