

of and complement to their international economic and trade relations: This is true in the case of Canada and the FRG, where our close economic links are being strengthened and reinforced by bilateral investment.

The economic stimulation expected to occur in Canada as a result of the Canada-USA Free Trade Agreement should enhance the attractiveness of Canada as a location for foreign investment. Another important feature is that investors established in Canada will have access to the entire North American market.

Investing in Each Other

While Americans are by far the largest foreign investors in Canada, accounting for 75 per cent of all foreign direct investment, German investment, at about three per cent of foreign investment, is significant. It represents Canada's third most important source. From 1985 to 1986, German direct investment in Canada increased from C\$98 million to C\$280 million. At the same time, German direct investment in the United States decreased. As a result, the Canadian share of German direct investment in North America increased from .05 per cent to five per cent.

German companies with an important presence in Canada are BASF, Bayer, Hoechst, Mannesmann, Siemens, Budd (steel automotive frames), Metallgesellschaft (mining and metals), Melitta, Thyssen and Volkswagen. In addition, about 1,500 Canadian companies are owned or controlled by German interests. German companies have mainly invested in the province of Ontario. Major sectors of interest have been chemicals and electrical products as well as automobile parts. The latter is an area which has seen considerable activity in recent years with investments by Kuester (brake and clutch cables), Ronal (aluminum wheels), and Edscha (automotive hinges). Another recent investor is Ronny Sportswear (dry and wet suits for water sports). It is interesting to note that investment has shifted from resources in the 1950s and 1960s to manufacturing in the 1970s and then to high technology products in the 1980s.

According to Investment Canada data (which cover only investments subject to review or notification under the Investment Canada Act), during the period June 30, 1985 to December 31, 1987, there were 76 cases originating from the FRG. Of these, 28 cases involved the establishment of new businesses with total first year planned investments of C\$25.6 million. The other 48 cases represent acquisitions amounting to C\$822 million of assets acquired.

In 1985, Canadian direct investment in the FRG amounted to C\$475 million. This represented 0.9 per cent of Canada's total direct investment abroad. Major Canadian companies with operations in the FRG are Alcan, Northern Telecom, Inco, and CAE.