

materials and semi-manufactured goods totalling \$940 million, up 1 per cent from 1981. Finished products represented 16 per cent of Canadian shipments to the F.R.G., or a total of \$201 million. Leading finished products sold to Germany included gold coins, fur goods, office machines, and aircraft engines and assemblies. Although Germany is Canada's fourth largest market after the United States, Britain and Japan, it buys only about 1.5 per cent of Canada's total exports. Similarly, Canada absorbs less than 1 per cent of the F.R.G.'s total exports. Canada, however, continues to be a major source of copper, lead and wood pulp.

Canadian imports from Germany fell 14.1 per cent from 1981 to 1982, to \$1.382 billion. The five most important import items included passenger cars, tractors, chemicals, motor vehicle parts and beverages.*

2. Trade Policy Considerations

The bilateral Canada-EEC relationship is the dominant factor governing tariffs and access in Canadian-German trade relations. Following the Canadian government's enunciation of the "Third Option" policy in 1972, Canada negotiated a "Framework Agreement for Economic and Commercial Co-operation" with the EEC in 1976. That initiative has encouraged more extensive consultation and co-operation over a broad range of activities, including technical and scientific projects, investment and joint commercial ventures, and has focused on industrial co-operation rather than conventional trade. Although the agreement established a co-ordination mechanism, including a ministerial Joint Co-operation Committee and two standing subcommittees, it recognized the leading role of the private sector in both countries and endorsed missions linking the two business communities as the preferred method of implementation.

The three important areas of Canada-F.R.G. activity are:

a) Consultative and Co-operative Structures

Economic consultations were established between Canada and West Germany following the 1978 pledge by Prime Minister Trudeau and former Chancellor Schmidt to strengthen bilateral economic ties. Canada also has a science and technology agreement with the F.R.G., for matters related to discussion on pure and applied science.

b) Trade Policy under GATT

The framework for trade between Canada and the F.R.G. is established by the General Agreement on Tariffs and Trade (GATT), a forum in which Germany participates as a member of the European Economic Community. Currently, about 40 per cent of Canada's exports enter the EEC free of duty. Nonetheless, tariff and non-tariff barriers remain significant constraints in Canada's

trade with the European Economic Community, particularly for upgraded resources, manufactured goods and agricultural products. Access for Canada's world scale, high technology sectors, in fields such as transportation and telecommunications, where government purchasing is important, was not substantially improved by the government procurement code of the MTN.

c) Government Procurement

Europeans have viewed Canada's decisions on major military and transport purchases as a measure of the federal government's support of the Third Option diversification policy. In 1976, Canada purchased 128 German Leopard tanks from the F.R.G. at a cost of DM 360 million. The prime contractor, Krauss-Maffei, agreed to offsets in Canada equal to 40 per cent of the purchase price over 10 years. Notwithstanding this transaction, some concern has been expressed in Germany over the failure to receive other large contracts in Canada. In general, F.R.G. procurement complies with EEC practices, although for the telecommunications sector, which falls under the jurisdiction of the P.T.T., the regulations are less rigorous.

3. Investment Relations

Germany is Canada's third most important source of direct foreign investment, after the U.S. and Britain, with a cumulative investment of \$1.6 billion as of 1981. That represents 2 per cent of the total book value of all such investment in Canada. More than 50 per cent of F.R.G. investment is concentrated in Canadian real estate, mining and associated companies. According to German statistics, based on the cumulative value of assets up to 1980, Canada is the sixth most favoured country for F.R.G. investment.

Canadian direct investment in the F.R.G. totalled \$225 million at the end of 1978, ranking seventh in terms of Canadian investment abroad. Canadian interests in the F.R.G. are concentrated in the finance, tool and die production, electronics, machinery, packaging products, tourism and metal fabrication sectors.

CANADIAN TRADE DEVELOPMENT ACTIVITIES AND INSTRUMENTS

General

The F.R.G. represents one of the most diverse and well developed markets in the world. Intense competition from both domestic and external sources demands that the appropriate market target be carefully defined and approached in a well planned and orderly fashion. Except in the less mature sectors, the market is extremely sensitive to traditional relationships. Exporters must pay close attention to existing trade channels and must establish their credibility, often after an extensive commitment of time, before becoming an accepted force in the marketplace. To benefit fully from available opportuni-

* Tables 7 and 8, page 35-36 provide a summary of Canada-Germany trade.