

now that the SPD/FDP majority has increased.

Issues between Canada and the Federal Republic are happily few and indirect. Trade has increased to just under three billion dollars, and is only slightly tipped to Germany's advantage. By the end of the 1978, German investment in Canada had reached \$2.9 billion. Comparable Canadian investment in West Germany was only 567 million Deutsch Marks in 1977. Cultural relations too have moved steadily forward, and next year, Canada will hold its largest ever multicultural exhibition in Berlin.

There are, however, several possible sources of minor friction in the immediate future. The first concerns competition for nuclear reactor sales to Argentina. The Canadian nuclear energy business reacted with bitterness and frustration when they lost out to the Federal Republic in the competition for a sale of a third nuclear reactor to Argentina. Initially, the Canadians thought that the loss meant they would also automatically lose out to the Federal Republic in the next three nuclear reactors that Argentina is scheduled to build. They are now somewhat more optimistic.

Reactor sales produce very high profile public issues, and economic nerves are easily touched when one country wins a contract over another. Informal discussions have continued between Canadian and German officials to clarify misunderstandings which were generated during the competition period. At the time there were criticisms within Canada that the Canadian government had lost the Argentina deal by demanding extremely strict requirements on safeguards, and that in order to win the competition West Germany has been more lenient. Although there has been considerable progress since then, tensions still have not been fully resolved.

A second, closely related issue is uranium sales. While new possibilities for increased commercial sales from Canada to the Federal Republic exist, there are difficulties over the terms under which uranium can be reprocessed. Sales regulations are negotiated between the Canadian government and the EEC through Euratom. Negotiations have been far from smooth. Canada has been demanding what Europeans regard as extreme concessions over safeguards which affect EEC domestic policies. For example, the government wanted the right to veto uranium sales for certain purposes. The Community felt this was an infringement of their nuclear power policy. Canadian demands were relaxed slightly and an interim agreement was put into effect under which sales are currently taking place. Although the agreement expires in 1980, it will likely be extended until a new one is reached. There would seem to be agreement on general principles between Canada and the Community on nuclear policy, but obviously each of the participant countries have separate economic interests to protect.

There could be a fisheries issue too. Basically, the problem is over a 'waters' for 'markets' agreement be-

tween Canada and the EEC. Canadian officials would like to conclude a deal in which Germany, along with its partners, would have greater claim to fish within Canada's 200 mile zone in return for a competitive formula for selling Canadian fish in Germany and Europe. Nevertheless, formal negotiations have broken down because Canada persists in tying market access to quotas. For example, the government wants the right to sell 22,000 tons of cod fillet at the same time as the Norwegians do. The EEC only offered about 3,000 tons. Although efforts are still being made to establish a new negotiating position, the problem is difficult because there is no common EEC fisheries policy; for example, there is a France-Canada agreement still in force so that these two countries occasionally negotiate directly. The Canadian fishing industry is also pressuring the government not to conclude a deal because they consider fish stock to be insufficient.

Another possibility of difficulty stems from the Foreign Investment Review Agency (FIRA), which seeks to ensure that firms operate to the benefit of Canada with increased Canadian ownership. The depreciated dollar makes Canada, as well as the U.S., fertile ground for investors from hard currency countries. FIRA wants all multinational corporations to report and comply to certain guidelines. If these are enacted too vigorously, there is concern in business circles that it will discourage foreign investment. West German businessmen, like those of many other countries, want capital to flow freely without government interference.

New initiatives

There are several possibilities for new initiatives between Canada and West Germany under the new Schmidt government. These include an extension of German military training, probably at Goose Bay, Labrador. If the Schmidt government decides to build more nuclear reactors, there will possibly be an increase in uranium sales to Germany. West German businessmen would like to invest in Canada's coal mines, gassify the coal and send it to Germany. There are, however, many details to be worked out. German businessmen want to be assured that they will be able to export the gas to the Federal Republic and that it will not be handled like oil, with a domestic and a foreign price.

The Economic Summit taking place in Canada in 1981 will provide an opportunity for a Trudeau-Schmidt initiative on development questions. The Third World situation is "shifting before our eyes" and something must be done. The Venice Summit required officials to review the whole context of the North/South dialogue and some concrete arrangements may come from the 1981 Canadian summit. A senior minister declared privately that there is no doubt Prime Minister Trudeau wants to make a "major initiative" at the Ottawa summit next summer. He can do this best in cooperation with Chancellor Schmidt.