In the face of a series of economic challenges over the past decades, Germany has a proven history of resilience, inflation management, wage moderation and aptitude for technological advancement. There is, therefore, every reason to expect that Germany will overcome the present economic difficulties facing most trading nations.*

4. Trade Policy and Trade Characteristics

German international economic policy is based on the principles of international division of labour and essentially the free flow of goods and capital. Official restrictions on commercial relations between Germany and other countries are minimal. Only in exceptional situations are such constraints imposed. With the exception of coal, gas and oil, industrial products do not generally face major restrictions. Thus, 80 per cent of all exports from Germany's trading partners have free access de jure, while another 13 per cent enter freely de facto. Some textile products, most notably those from East Asian countries, are restricted by quotas pursuant to bilateral conventions with the EEC. As a member of the European Economic Community, Germany is also subject to the market regulations and licensing procedures that the EEC has established for certain categories of products.

Although the F.R.G.'s balance of payments position weakened in the late seventies and early eighties, it was not indicative of a weak export position.** Exports have exceeded imports every year since 1952, including the years 1979, 1980 and 1981, when the current account suffered a deficit. In 1982, the export surplus rose to a record DM 51.2 billion. The balance of payment deficits that have occurred resulted primarily from an increasing tourism imbalance.

In Germany, approximately every fourth employed person is involved in export activities. With few raw material resources of its own, the country has had to focus its high standard of technology, skilled labour force and efficient manufacturing sector on producing goods for world markets. Germany needs vast exports to pay for its substantial imports of foodstuffs, raw materials and energy supplies, as well as for those industrial goods that can be produced more efficiently in other countries. Exports from the F.R.G. are dominated by a broad range of machinery, motor vehicles, electrical engineering products and chemical goods. Imports include a high proportion of petroleum and natural gas, food, drinks and tobacco. With oil prices rising rapidly in 1980, imports from oil-producing countries (OPEC, Britain, Norway) accounted for a growing share of F.R.G. imports. Nevertheless, Germany continues to represent an enormous market for all types of finished products, including machinery and transportation equipment.***

The Common Customs Tariff of the EEC has accentuated the natural tendency of Germany to concentrate on trade with its Western European neighbours. In 1970-1980, the member countries of the EEC produced from 46 to 54 per cent of Germany's total imports. Germany exported 45 to 48 per cent of its total shipments abroad to its EEC partners during the same period. The most important bilateral trading partners are France, the Netherlands and Italy respectively.*

In 1980, more than 86 per cent of German exports were in the following trade categories: chemicals, machinery and transport equipment, and other manufactured goods. That indicates once again the important contribution Germany's manufacturing sector makes to its export earnings.

5. Investment Policy

Investment by foreigners is not formally regulated, although cases involving the acquisition of German companies or large blocks of stock normally involve consultations with the F.R.G. government before such transactions by foreigners are finalized. Such discussions take place on a voluntary basis and are not considered restrictions against foreign investment. In line with its liberal economic philosophy, the F.R.G. has not enacted any regulations to limit the flow of capital either into or out of the country. Similarly, Germany has no controls on licences, the level of foreign investment in the F.R.G., the repatriation of profits and the payment of licensing fees. No formal approval procedures exist for incoming or outgoing investment. Under the terms of German "company law", foreign as well as German-owned companies are required to report any purchase exceeding 50 per cent of the company's equity. Foreign-owned companies are also eligible for regional development incentives.

CHARACTERISTICS OF BILATERAL TRADE

1. Trends in Canada-Germany Trade

Canada's trade with the Federal Republic of Germany totalled slightly more than $2.6 billion in 1982. Since achieving a record level of $3.1 billion in 1980, two-way trade has declined by 6.5 per cent in 1981 and 9.6 per cent in 1982, primarily as a result of prevailing economic conditions.

Following the period of dramatic growth from 1978 to 1980, when Canada's sales to the F.R.G. more than doubled, Canadian exports declined 21.5 per cent to $1.3 billion in 1981. Most of the decrease can be attributed to appreciation of the Canadian dollar, to a dramatic (90 per cent) decline in gold coin sales, and to the soft economy, which affected demand for fabricated German products. In 1982, this trend eased with Canadian sales to the F.R.G. declining to $1.23 billion. The leading commodities exported to Germany in 1982 were wood pulp ($271 million), asbestos ($54 million), coal ($50 million), iron ore ($91 million) and copper ($46 million). The bulk of Canada's export sales consisted of raw

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* Refer to Tables 5 and 6, page 35.