EXECUTIVE SUMMARY AND ACTION PLAN

EXECUTIVE SUMMARY

Objective

The Export Development Plan for Germany is intended to assist the Canadian business community to expand its economic relations with the Federal Republic of Germany (F.R.G.), in terms both of exports and of industrial co-operation. This plan is one of a series that is being prepared as part of the federal government's policy to better focus and co-ordinate Canada's export marketing efforts.

The detailed goals of this plan are:

1. to provide a framework for federal government action and resource allocation in establishing an effective program of assistance to exporters and in fostering an environment conducive to the expansion of economic relations between Canada and the F.R.G.;
2. to design a marketing plan that takes advantage of the market opportunities and overcomes the constraints affecting Canadian exports to Germany;
3. to identify opportunities for export development and to stimulate and assist the private sector to pursue them;
4. to establish a focal point for co-ordinating the marketing efforts of the federal government, the provincial governments and the private sector.

Introduction

Germany is currently Canada's fourth largest trading partner, with two-way trade over $2.6 billion in 1982. In addition, Germany is Canada's third leading source of foreign investment.

Over the past 15 years, the nature of our economic ties with Germany has become increasingly sophisticated and diverse. This has been illustrated by such developments as the growth in trade (sevenfold increase since 1965), the composition of our exports (consistently higher proportion of end products and processed materials), and the more intensive use of German companies or institutions as vehicles for sales into third markets. Concerning the latter, the Department of External Affairs now organizes official government exhibits at more trade fairs in Germany than in any country outside North America, and most of these events are directed at markets throughout the world. At the private sector level, Canadian companies have achieved substantial sales in Eastern Europe and the Middle East by acting as a subcontractor to companies such as Salzgitter and by selling into U.S. autopart markets via Volkswagen.

Even without investment flows, technology transfers between the two countries continue to grow, with private sector agreements on joint product developments involving companies such as Canadair and Bombardier on the Canadian side and Dornier, Krauss-Maffei and Volkswagen in Germany.

As an importer, Germany offers an immense, diverse, affluent and open market. Traditionally, Canada has achieved its greatest success by exporting raw or semiprocessed materials to the F.R.G., most notably wood products, pulp, asbestos, copper and zinc. Recently, highly processed products have accounted for a greater share of Canada's exports. In particular, shipments of apparel, sporting goods, auto parts, electronic instruments, fur garments, and aircraft engines and parts have grown substantially. Overall, however, less than 1 per cent of Germany's imports come from Canada.

As an industrialized country with a large skilled work force, Canada has held a natural attraction for German investors seeking to diversify their financial base outside their own country across a full range of industrial sectors. The mining, energy and forest sectors have been identified as areas where co-operation will clearly benefit both countries. Germany, for instance, is heavily dependent on foreign sources for natural resources and energy. Nonetheless, the F.R.G. has developed highly sophisticated technology in these areas, and is willing to share this expertise, as well as its financial resources, to improve the stability of its long-term supply.

This plan is intended to identify opportunities for expanded trade and to develop a realistic export strategy that recognizes both the constraints and the means to penetrate the German market. It analyses past Canadian export performance, identifies future opportunities, evaluates co-ordination, and outlines an action plan to take these factors into account.

Canadian Trade Development Efforts to Date

The importance attached to Canada's economic relationship with the F.R.G. is reflected in the size of Canadian representation. With an Embassy in Bonn, Consulates General in Hamburg, Düsseldorf and Munich and a Tourism Office in Frankfurt, the level of Canada's trade resources is second only to the U.S. In addition, official Canadian representation is augmented by Offices maintained by the provincial governments of Ontario, Québec and Nova Scotia. Resources, aside from being allocated to an active bilateral trade program, are assigned also to organizing Canadian participation in leading trade fairs, to assessing the role of German companies in large projects, and to promoting bilateral industrial co-operation.

The potential for companies in both countries to benefit from technology transfers, joint ventures, direct investment or other forms of industrial co-operation has been recognized at the highest levels. In 1978, former Chancellor Schmidt and Prime Minister Trudeau agreed that more emphasis should be placed on industrial co-operation. Since then, an active program of visits by government ministers and officials has been maintained; a variety of trade and industrial co-operation missions, and two sets of state-to-state economic consultations, have taken