

DYNAMICS OF TRADE AND INVESTMENT

The Federal Republic of Germany is an economic power of the first order and will undoubtedly remain so for the rest of this century. Despite a population of only 61 million, the FRG is the world's second largest market with imports of over US\$175.3 billion in 1986. For Canada, the FRG ranks as our fourth most important market and is among the most accessible and congenial for Canadian business people. Total two-way trade exceeded C\$5 billion in 1987, of which \$3.5 billion were imports and \$1.5 billion were exports. The FRG has enjoyed a trade surplus with Canada for a number of years.

The Federal Republic of Germany is similar to Canada in terms of its heavy dependence on international trade. Like Canada, its exports of goods and services account for approximately 30 per cent of GNP. In the last two years, the FRG overtook the United States as the world's largest exporter. In 1987, its exports totalled US\$294 billion compared with US\$250 billion for the United States, US\$231 billion for Japan and US\$97 billion for Canada. (Source: IMF). The FRG's major trading partners are other members of the European Community (EC), which take just over 50 per cent of the country's exports; other European countries; the USA and Japan.

Some 86 per cent of its exports are finished products, predominantly road vehicles, machinery, chemicals, and electrical products. Historically, over 80 per cent of German exports to Canada have been fully manufactured products (cars, machinery, chemicals and iron and steel products).

Over the past 15 years, the nature of our economic ties with the FRG has become increasingly sophisticated and diverse. This has been illustrated by such developments as the growth in trade, 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. For example, Canadian companies have achieved substantial sales in Eastern Europe and the Middle East by acting as subcontractors to companies such as Salzgitter and by selling into US auto-parts markets via Volkswagen.

As an importer, the FRG offers an immense, diverse, affluent and open market. The FRG has few natural resources of its own; so almost half of its imports consist of raw materials, semi-finished products, foodstuffs and energy. Traditionally, Canada has achieved its greatest success by exporting raw or semiprocessed materials to the FRG; 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,