

## Impediments and Advantages

Over the years, German firms have developed good relations with several potential consortium partners, mostly in Europe but also, to a lesser extent, in the U.S. They will think seriously before committing themselves to working with new partners across the Atlantic with whom they have little, if any, co-operative experience and whose approach to business may differ substantially. The transatlantic separation also impedes the smooth and direct exchange of information between consortium partners.

German companies appreciate the ability of the Export Development Corporation (EDC) to take the lead in syndicating total project financing. EDC can frequently offer the longer repayment periods that are appealing to German project "packagers".

## The Competition

Major competitors (in descending order of importance) are the neighbouring European countries, Japan, certain emerging developing countries and the U.S. European companies will frequently tend to associate with one another in the search for third country projects.

## Action Plan

To date, Canada has been mainly a "demandeur", asking successful German companies to include Canadian industry in their consortia when bidding in third countries. The following steps are planned:

- a) Maintain contact with German contracting firms active in foreign capital projects to seek out opportunities for co-operative ventures in third countries; (Düsseldorf)
- b) Develop an effective system to inform expeditiously potential Canadian participants of selected tender opportunities with KfW financing that are listed in *Nachrichten für den Aussenhandel*; (Bonn)
- c) Encourage Canadian firms to approach suitable German companies for partnership in Canadian-identified projects to the extent that complementarity of capabilities and/or financing and/or the spreading of risk make that a desirable step. (RCT\*/FSEI\*/Düsseldorf)

## 10. INDUSTRIAL CO-OPERATION

### The Concept

Industrial co-operation is a broadly defined term that is understood to involve the exchange of know-how, technology and/or investment, rather than the conventional transfer of goods and services. In the Canada-F.R.G. context, that process can occur in two directions:

- i) In the Canada-to-Germany sense, industrial co-operation may form an integral part of a Canadian firm's approach to marketing in the F.R.G. A corporate presence may be required through joint venture, licensing or direct investment;

- ii) Incoming industrial co-operation from Germany to Canada provides capital and/or technology to help Canada's industrial base grow and become more competitive.

Although this chapter examines both aspects, Canada has historically been an importer of investment capital and industrial processes. It is expected that *incoming* industrial co-operation will outweigh the other form in the bilateral Canada-Germany context.

### The Canada-F.R.G. Case

From a European perspective, countries have three main interests in economic relations with Canada: a market for their exports, a secure site for their foreign investments, and an important source of natural resources. Often, the latter two goals are the reasons for participation by German firms in large natural resource projects through direct equity investment.

F.R.G. investment in Canada has been increasing over the past three decades. In 1975, the Canadian government instituted a more formal approach to the development of Canadian-F.R.G. industrial co-operation. At that time, a mission of officials from the former Department of Industry, Trade and Commerce visited Germany. That initiative was followed by visits in both directions by government and industry officials. As a result of those exchanges, German business leaders became more aware of the opportunities presented by Canada's industrial capability. They also developed an understanding of associated policies as well as of the circumstances unique to this country. Tangible benefits in the form of joint ventures involving the private sectors of both countries could be traced to some of those missions.

Spurred on by those results, similar activities have increased dramatically in the past three years, and current plans indicate a continuation of that trend. In the first eight months of 1982, at least six missions involving German businessmen have come to Canada to pursue commercial interests. At least five Canadian groups with official sponsorship have travelled to Germany. At the same time, limited institutional links have been established, particularly the EEC-Canada Framework Agreement signed in 1976.

While regular political and economic consultations between senior Canadian and German officials had been in train for some time, Prime Minister Trudeau and former Chancellor Schmidt decided, following the Montebello Summit in 1981, that special measures were required to bring the bilateral economic and commercial relationship closer to its potential. Both leaders appointed personal representatives who engaged in fact-finding missions. To follow through on existing possibilities, a Canada/F.R.G. Management Team was formed. The team is composed of senior representatives from the departments of External Affairs; Industry, Trade and Commerce-Regional Economic Expansion; Communications; Energy, Mines and Resources; Finance; the Privy Council Office and the Foreign Investment Review Agency.

\* Refer to Glossary of Abbreviations, page 39.