

substantial business. Since mid-1981, there has been a marked decline in the number of Canadian firms visiting the West German market, due to less than encouraging market conditions.

### Canadian Success Stories

Canadian apparel sales in the F.R.G. increased four-fold between 1978 and 1980. In recent years, however, adverse market conditions and changes in currency differentials have contributed to a contraction in sales. Nevertheless, success stories include:

- i) *Jeans*. A Montréal manufacturer has, in the last two years, set up a sales organization and warehouse in West Germany and is currently enjoying sales of approximately \$1.5 million annually.
- ii) *Furs*. West Germany is Canada's third largest market for fur garments, taking up 15 per cent of total fur exports. Among the major suppliers of quality furs are John Joth, Amsel and Amsel, Natural Furs of Montréal, and W. Einhorn Furs of Toronto.

### Market Considerations

Before trying to enter the German market, potential suppliers must address the following points:

1. *Fashion*. It is important to know the styles and colours that are in fashion in the country.
2. *Quality*. Despite a strong component of lower quality clothing imports, the market is excellent for mid to high quality products.
3. *Price*. German buyers will pay for better quality, but at competitive prices. Exporters should be prepared to quote c.i.f. prices and, if possible, duty-paid delivery prices.
4. *Delivery*. A manufacturer risks blacklisting for late deliveries. That is especially true in the early stages of a trade relationship.
5. *Commitment*. The Canadian supplier must not use Germany as a market of opportunity to be neglected when North American demand is strong.
6. *Tariffs*. Tariffs represent a significant hurdle. Most apparel from Canada faces a 16.5-per cent duty imposed by the EEC on the landed value. The exception is baby clothing, which carries a duty of 10.5 per cent up to a specified maximum size.

### The Competition

Competition for high-quality products at middle to high prices comes mainly from other European countries and, to a lesser extent, from the United States.

### The Action Plan

A key step will be to strengthen Canadian participation in the appropriate German trade fairs. Individual suppliers should be encouraged to use PEMD support to enter IGEDO/Düsseldorf and Mens Fashion/Cologne. Specifically, it is proposed to identify capa-

ble apparel suppliers who could seek space at IGEDO and *Herrenmode* as private exhibitors, and support their participation through PEMD funding. (EFCP\*/Düsseldorf)

The preceding eight marketing plans have described opportunities in specific sectors. Two additional areas — namely, “co-operation in third countries” and “industrial co-operation” — offer major scope for expanded Canadian-German economic links. Both areas span a number of sectors of Canadian industry. Individual situations that arise under the classification of third country co-operation or industrial co-operation will involve one or more Canadian business sectors, depending on the nature of the project. Discussions on each of those two areas of opportunity follow.

## 9. CO-OPERATION WITH GERMAN FIRMS IN THIRD COUNTRIES

### The Opportunity

German companies, experienced in capital project work, have traditionally been active in East Bloc and in third country markets and have achieved impressive results. The working committee on major projects (representing 42 member companies) of the German Association of Machinery and Plant Construction (*Verband Deutscher Maschinen und Anlagenbau e.V.*) reported that 1981 export orders reached \$10 billion, an increase of 45 per cent over 1980. The export proportion of the total volume of orders was 77 per cent. New orders have continued to match that pace despite fierce competition, particularly from Japan and the United States. Since discussions were initiated in 1979, several major German firms active in this field have expressed an interest in joint project activity with Canadian partners.

Another area of considerably lesser magnitude, where opportunities for Canadian firms exist, is on projects financed by the German development agency, *Kreditanstalt für Wiederaufbau (KfW)*. German aid is largely untied, with the exception of a few areas such as consulting services, shipbuilding, nuclear plants and locomotives.

The traditional strengths of German industry are reflected in the nature of capital projects secured by member companies of the *Verband Deutscher Maschinen und Anlagenbau e.V.* Of the \$10 billion in export orders in 1981, the major sectors were:

Type	Value (CANS)
Construction and building materials industry	\$2.0 billion
Steel mills	1.3 billion
Rolling mills	1.2 billion
Electrotechnical	1.0 billion
Organic chemical plants	760 million
Electrical equipment	634 million

On a political basis, Canada and the F.R.G. present a compatible image for joint project activity in third countries. In Eastern Europe, including the U.S.S.R.,

\* Refer to Glossary of Abbreviations, page 39.