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Canadian Trade and Investment Activity: Canada–Germany

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The Library of Parliament ***Trade and Investment*** series provides information on Canada's trade and investment relationship with selected countries. Particular attention is paid to bilateral merchandise trade, trade in services, and foreign investment. These publications are prepared by the Parliamentary Information and Research Service, which carries out research for and provides information and analysis to parliamentarians and Senate and House of Commons committees and parliamentary associations.

Merchandise Trade

Germany is a significant trading partner for Canada and is growing in importance both as an export destination and as a source of imports. In 2009, Canada's bilateral merchandise trade with Germany totalled \$14.4 billion, consisting of \$3.7 billion in Canadian exports to, and \$10.7 billion in imports from, Germany.

Germany was Canada's second-largest export destination in the European Union (EU) in 2009 and the sixth-largest export destination worldwide. It was Canada's largest source of imports from the EU that year and the fifth-largest source worldwide.

Notwithstanding the impact of the 2008-2009 global financial and economic crisis, Canada has seen strong and sustained growth in imports from Germany in recent years. From 1998 to 2008, imports from Germany more than doubled. The 16% drop in imports from Germany between 2008 and 2009 was comparable to Canada's overall decline in imports that year.

Quebec and Ontario are Canada's largest provincial exporters to Germany, together accounting for three-quarters of total exports in 2009. In that year, Ontario exported \$1.5 billion in goods to Germany and Quebec exported \$1.3 billion.

Ontario and Newfoundland and Labrador have been Canada's fastest-growing exporters to Germany over the past five years.

Figure 1

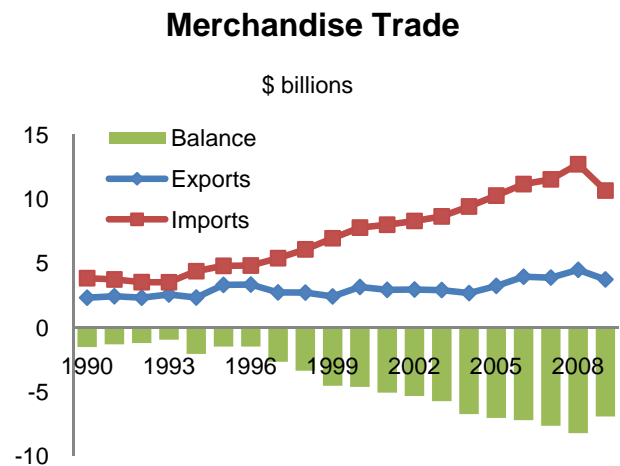


Figure 2

Importance to Canada

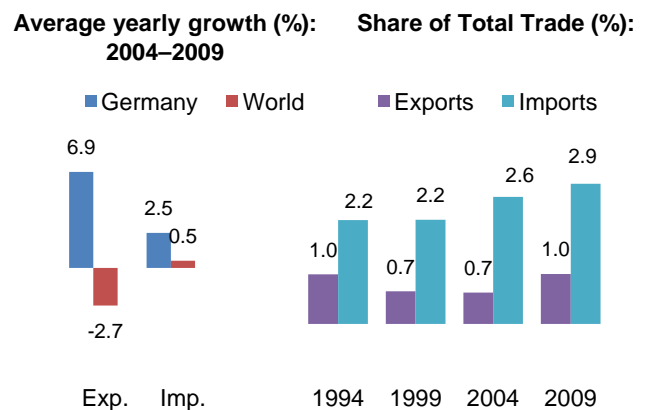
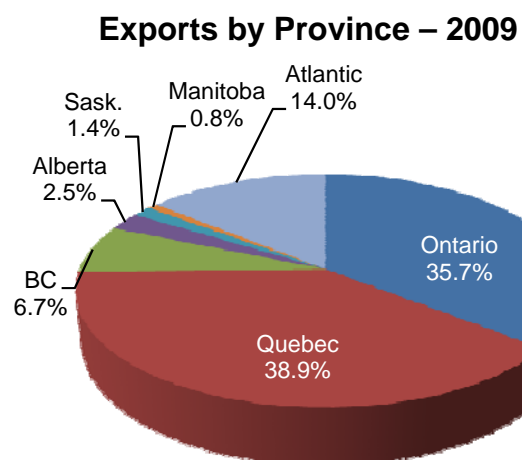


Figure 3



Products

Canadian exports to Germany are comprised mostly of manufactured goods, which made up 60% of total exports in 2009. Resource-based goods accounted for the remaining 40% of exports.

Canada's largest exports to Germany in 2009 were aircraft, iron ores, coal and copper. Canada has seen a large increase in the export of aerospace products to Germany in recent years. Aircraft exports have grown by an average of 55% per year since 2004 and accounted for 16% of Canada's total exports to Germany in 2009.

Manufactured goods dominate Canada's imports from Germany, accounting for 89% of total imports in 2009. This share is up slightly from 86% five years earlier.

Cars and vehicle parts made up 23% of Canada's imports from Germany in 2009. Other major imports that year included medicaments, medical instruments and blood fractions.

Canada's trade with Germany in resource-based goods is relatively evenly balanced. In manufactured products, however, Germany is a significant net exporter to Canada.

Figure 4

Major Export Products

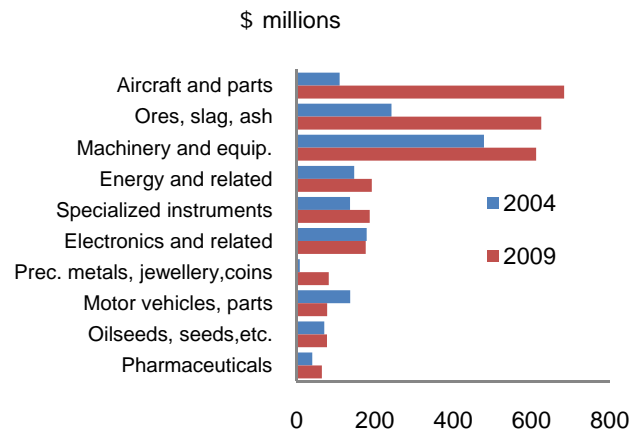


Figure 5

Major Import Products

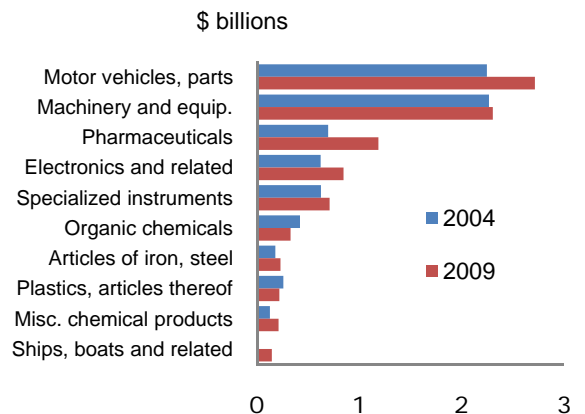
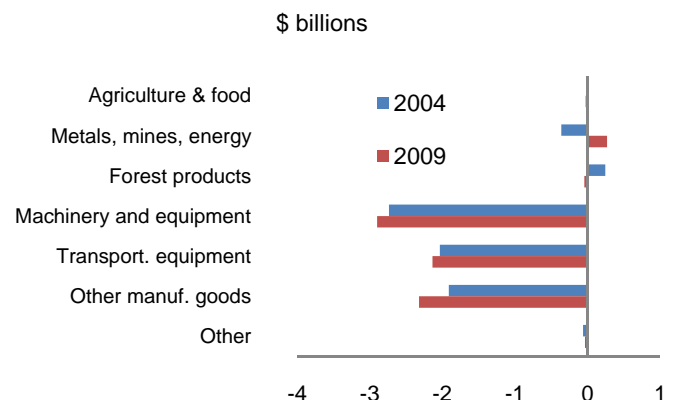


Figure 6

Balance by Category



All figures were prepared by the author using annual data from Statistics Canada.

The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

Services and Investment

Canada is a net importer of services from Germany. In 2007, the most recent year for which data are available, Canadian services exports totalled \$1.8 billion, while services imports were \$2.2 billion. Canada and Germany have seen steady growth in services trade since the mid-1990s.

Commercial services make up the largest share of services trade between Canada and Germany – about 54% in 2007. Commercial services also account for much of the growth in services trade between the two countries over the past ten years.

Canada was a small net exporter of travel services to Germany in 2007. German purchases of Canadian travel services fell by 18% from 2001 to 2007. By contrast, Canadian travel to Germany has increased; imports of travel services rose by 36% from 2001 to 2007. Canada was a net importer of commercial services as well as transportation and government services in 2007.

Germany is an important source of, and destination for, foreign direct investment (FDI) for Canada. In 2009, the stock of Canadian direct investment in Germany was valued at \$10.7 billion, making it Canada's 13th-largest destination for FDI and the sixth-largest in Europe. That same year, German FDI in Canada was worth \$13.9 billion, making it the seventh-largest overall source of FDI in Canada and the 5th-largest source from Europe.

Figure 7

Services Trade

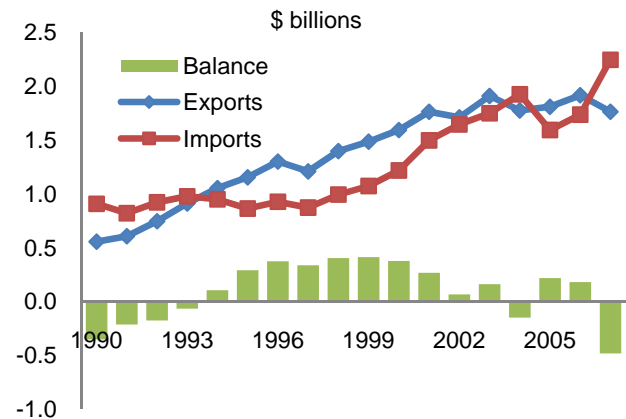


Figure 8

Services Trade by Type – 2007

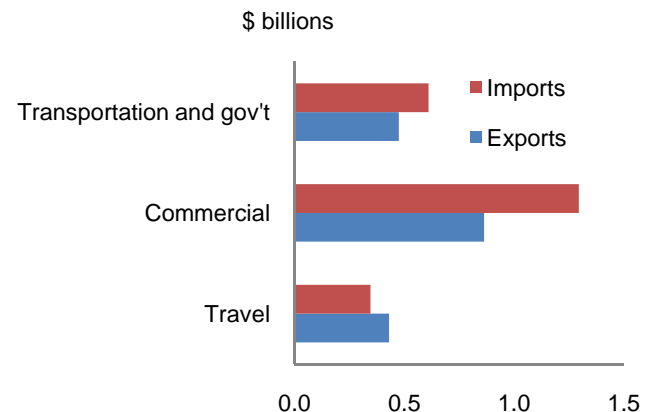
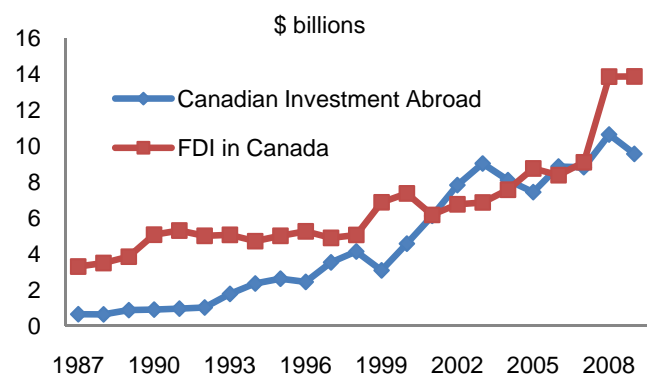


Figure 9

Foreign Direct Investment



All figures were prepared by the author using annual data from Statistics Canada.

The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.