Embargoed until delivery:

12:30 pm on October 18, 2005

"German-Canadian Relations, with a Focus on Investment in Germany and Canada"

Remarks by Dr. Bernd Pfaffenbach

State Secretary in the

German Ministry of Economics and Labor

at a Luncheon Meeting of the

Canada Europe Round Table for Business

Berlin

October 18, 2005

Remarks as prepared for delivery!

Ambassador Dubois,

Mr. MacLaren (CERT Chairman),

Ladies and Gentlemen,

I gladly accepted your invitation to offer remarks at a luncheon for the participants of the Canada Europe Round Table for Business.

Let me begin with some comments on Canada.

Canada's economy is on a clear path of growth. Economic activity at mid-year is robust. Supported by strong consumer demand, rising investment, a growing construction sector, and - pardon the pun! - "well oiled" by petrodollars from domestic production, Canada's economy is moving along at full speed.

After Saudi Arabia, Canada's Alberta Province has the world's largest oil reserves. Unemployment and inflation are at all-time lows. These are excellent conditions that your side offers to companies for investment decisions.

Ladies and Gentlemen,

Canada and Germany share a wide range of bonds in the political, economic, and social areas. These common links have been built on a solid foundation that still has plenty of room for expansion.

Both the European Union and Canada have repeatedly stated their appreciation of the value of further developing economic ties.
They see each other as key trading partners.
They have no fundamental differences with each other in the economic sector.

However, the level of trade relations between the European Union and Canada yet fails to reflect the real economic potential of the two partners.
The European Union ranks number two in Canada's foreign trade statistics, and Canada is ninth in the EU's statistics.
But this is relativized by the fact that the European Union transacts only 1.9% of its

merchandise trade with Canada, and Canada only 8% of its merchandise trade with the European Union.

By contrast, direct investment has become the most important element in our economic relations.
After the United States, the European Union is the second largest investor in Canada.
Some 27% of total foreign direct investment in Canada comes from EU Member States.
After the United States and Japan, Canada is the third largest investor in Europe.

I am convinced that there is room for expanding German-Canadian economic and investment relations.
Some 350 German companies have involvements in Canada with investments amounting to roughly five billion euros.
They account for 60,000 jobs in Canada.
Conversely, just under 80 Canadian companies have a total of approximately 3.1 billion euros

invested in Germany, where they account for just under 30,000 jobs.
I take this opportunity to thank the Canadian business people who have decided to invest in Germany's new states.
New jobs are decisive for eastern Germany's prosperity.

Ladies and Gentlemen,

This morning you looked at the effect on investment decisions of the EU's enlargement.
Let me present a few comments on this topic:

The benefits for third countries - such as Canada - of the EU's enlargement of May 2004 are obvious.
With a total population of nearly 455 million people and a gross domestic product of roughly 9,200 billion euros, the larger Union transacts approximately 20% of world trade.

It is responsible for almost 40% of worldwide outflows of foreign direct investment and almost 35% of foreign direct investment inflows.
This makes the European Union the world's largest internal market.

Within the EU there are no internal borders separating the Member States.
The harmonization of regulations and standards guarantees the free trading of merchandise and services.

For Canadian investors, the enlargement thus brings concrete benefits in the form of a larger internal market and easier and better access to markets, including those of the new Member States.

Ladies and Gentlemen,

Investing in Europe is worthwhile.
This is particularly true for investing in Germany.

The enlargement of the European Union has shifted our country from a marginal location on the eastern border to a more favorable and strategic venue at the heart of the internal market.

This is an important aspect that prospective Canadian investors should consider.
Germany has become the hub of Europe's internal market.
More than 4,200 German companies employing some 700,000 workers now operate in the European Union's new Member States.

Despite the many prophecies of doom, Germany is gaining respect abroad as a dynamic business site.
I wouldn't want to exaggerate, but a recent article in the Economist claims that Germany is "super competitive," and I don't think that statement was made frivolously.

In fact, the reforms of recent years have increased Germany's attractiveness as a place for doing business.
For quite some time, Germany was Europe's most expensive economic location.
But since the end of the 90s, unit labor costs have declined by 10%.
We have now caught up with other European countries such as France, Italy, and the UK, and have gained a competitive advantage.
Foreign investors have given Germany good grades for infrastructure, the training of workers, the low inflation rate, legal certainty, and peaceful industrial relations.
Our tax reform has brought relief in the annual amount of 60 billion euros for individuals and companies.
The number of patents registered is the second highest among the large industrialized countries.
And we spend more on research and development than other European countries.

The macroeconomic conditions for continuing this economic trend remain favorable.
Besides the impulses from the robust growth of the world economy, the monetary conditions are also beneficial.

We need you, Canadian investors, and I encourage you to take the step across the Atlantic.

And don't be afraid of the sullen and serious Germans!
I would remind you of what the writer and voice of Canada, Margaret Atwood, said about us:
"The Germans are more humorous than I thought: sometimes they can even be really funny."
Thank you for your kind attention!