

Despite a deteriorating economic and business environment, Canadian exports to Iran increased from \$274.3 million in 2005 to \$309.0 million in 2006—largely due to a sharp increase in sales of wheat and other agri-food commodities. Pursuant to Canada's Controlled Engagement Policy with Iran, Canada has been applying strict export controls on proposed shipments of sensitive goods for some time. In February, Canada implemented regulations to enforce the UN economic sanctions against Iran. In light of these measures, and also of U.S. requests that firms not sell to Iran, interest in Iran as an export market or destination for investment has been declining.