

legal environment and a friendly business environment—will help ensure opportunities for Canadian exporters.

The Government of Canada advises Canadians not to travel to Iraq at present due to ongoing security problems.

Iran

Overview

The economic and business environment in Iran during 2004 has been marked by changes and uncertainty. The outgoing reformist parliament had proposed sweeping changes and modifications to the existing legal and investment environment, indicating a strong will to open Iran's markets, privatize the largely state-controlled economy and facilitate foreign investment. The entry into power of a new conservative parliament has put these positive developments in jeopardy. For the moment, the ideological debate on the economy continues, rendering it difficult to determine which course the government will choose to pursue.

During 2004, Canada's exports to Iran totalled over \$187 million, ranking Iran 7th as an export market for Canada among countries in the Middle East and North Africa region and 46th in the world. However, overall since 1998, Canada's exports to Iran have fallen by some 29.3%. Canada's merchandise imports from Iran during 2004 totalled just over \$77 million, ranking Iran 8th among countries in the region and 77th in the world as a source of imports into Canada. This represents an increase of some 22% over the previous year. Overall since 1998, Canada's imports from Iran have fallen by 49.7%.

In past years, Iran was one of the world's largest importers of wheat, with an annual consumption of 11 to 12 million tons and imports of 5 to 6 million tons in some years, particularly during the country's three-year drought from 1998 to 2001. During that period, Iran was the single largest purchaser of Canadian wheat, importing a record 3.5 million tons in the 1999–2000 crop year. However, in 2002 Iran

produced a record domestic wheat crop of nearly 10 million tons (an 80% increase), and in 2003 domestic wheat production increased by another 10% to 15%. This growth combined with a three-year drought in the Canadian prairies resulted in a sharp drop in Canadian wheat exports to Iran, which amounted to only 140,000 tons in each of 2002 and 2003. During 2004, Iran's domestic wheat production reached a new record of 13 million tons, enough to make the country self-sufficient. However, due to the low quality of the domestic Iranian wheat (very low protein levels), the Iranian government may be forced to import up to a million tons of wheat annually for blending purposes.

Market Access Results in 2004

- Export Development Canada signed a letter of intent with the Central Bank of Iran and five state banks to finalize a US\$300 million line of credit. Once finalized, this facility will allow Iranian banks to offer medium-term project financing guaranteed by the Iranian government to Iranian companies cooperating with Canadian firms. This will significantly enhance opportunities for Canadian exporters to Iran.
- Iran cut its tariff rates on canola crude oil and canola oil seeds from 5% to 4%, bringing them into line with those for popular imported oils such as soy and sunflower.
- Iran awarded the second GSM (global system for mobile communications) operator licence for Iran to the private sector.
- Iran reduced its import tariff on automobiles from 170% to 130% and is expected to further reduce the tariff to about 60% over the next five years.
- The Iranian Ministry of Finance implemented a flat corporate tax rate of 25%, which is much lower than previous tax rates of over 60%.
- Iran introduced a 72-hour visa, issued at airports and other ports of entry into Iran, which has facilitated the entry of Canadian business persons into the country; visas previously took several weeks to be issued.