

In addition to being a major exporter of oil and natural gas, the Middle East and North Africa region is an important and growing destination for Canadian investment and exports of goods and services. Economic development initiatives and trade and investment opportunities closely match Canadian capabilities, particularly in oil and gas supplies and services, building goods and services, agriculture, education and training, health-care management, and information and communication technologies.

Two-way merchandise trade with the region was \$11.8 billion in 2005, a 22% increase over 2004. Merchandise exports in 2005 were \$3.2 billion, a one-year increase of 11%. Services and investment, while hard to track statistically, play an increasingly important role. Although challenges remain, the region also presents potentially significant opportunities, such as reconstruction in Iraq.

Canada's bilateral trade with Israel has more than doubled since the implementation of the Canada-Israel Free Trade Agreement (CIFTA), from \$567 million in 1997 to an all-time high of over \$1.2 billion in 2005 (\$429.2 million in exports to Israel; \$810.9 million in imports from Israel).

The Cooperation Council for the Arab States of the Gulf (GCC) consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. A customs union was established in 2003 under which member countries apply a common tariff of 5% on most imported goods. Canadian two-way trade with the GCC was \$3.2 billion in 2005, an increase of 19% over 2004. Canadian merchandise exports to the GCC accounted for almost \$1.3 billion in 2005 and have increased 90% since 2001.

The economic and business environment in Iran continued to be negatively affected by political uncertainty during 2005. The prospect of UN sanctions, together with tensions related to the nuclear program issue, has dampened interest in Iran as an export market and destination for foreign direct investment. Canada has indicated that it would support its U.S. and European allies should such sanctions be formally proposed.