

TRADE AND ECONOMIC OVERVIEW

Bahrain

Canada-Bahrain relations are good, although neither country maintains a diplomatic mission in the other's capital. Bahrain is unique among the Gulf Cooperation Council States in that it exports only petroleum products and no crude. Traditionally, Bahrain has been an entrepot and, although its importance in this sphere has declined with the development of mainland ports, Bahrain has used its central geographical location to become an important service centre for the Arab Gulf region as a whole. Bahrain will continue to develop its role as a regional centre for banking and tourism and will benefit in these areas from the Bahrain-Saudi Arabia causeway.

In spite of the promotion of the agricultural sector, Bahrain's imports of food, live animals, beverages and tobacco account for approximately 10 percent of total import spending. Canada exported total goods valued at Cdn\$6,840,000 in 1993, consisting principally of lumber, paper, industrial machinery and carpets. Agriculture has declined rapidly since the 1960's, largely as a result of the heavy demands made on Bahrain's limited water supplies. The recent wars in the area has affected Bahrain's economy to the extent that it has lost some of its attractiveness as an entrepot centre to Dubai. As demonstrated by the Canadian Trading House Mission to Bahrain in 1993, the country should not be overlooked as a market of considerable potential for small and medium-sized suppliers of a broad range of goods and services. Bahrain is a cash market for trade, and irrevocable letter of credit is the normal practice in making payments.

Kuwait

A resident Canadian Embassy was opened in Kuwait in 1978, and Canada's Ambassador to Kuwait is also accredited to Bahrain, Oman, Qatar, and the United Arab Emirates. After the first year of post-war reconstruction in 1992, oil and gas accounted for 42 percent of gross domestic product. Despite strenuous attempts to diversify the domestic economy by building up the industrial and financial services sectors, oil and gas still account for an overwhelming share {98 percent} of export earnings. An important source of Kuwaiti government revenue is its income from substantial financial investments abroad.

Canada is a relatively new entrant into the Kuwait market. As recently as 1987, Canada did not rank in the top 20 exporting countries to Kuwait. Immediately prior to the Gulf War, Canadian trade with Kuwait was significant and increasing steadily. Annual exports averaged Cdn\$30 million and included lumber, paper products, industrial chemicals, automobiles, auto parts, asbestos, prepared foods and health products. Oil production capacity, which is the foundation of Kuwaiti prosperity, has been restored, and work is underway to permit an expansion of output as required. Agri-food and consumer goods may offer the best potential for small and medium-sized Canadian firms. Competition is vigorous in the Kuwait market, and a significant commitment of time and money is required to succeed. Canada's supply position and commitment to this market have been further enhanced since the US\$500 million Export Development Corporation {EDC} line of credit to Kuwait was signed in December 1992.