

### THE BUSINESS ENVIRONMENT

Since the Gulf War period and subsequent reconstruction efforts, Canada's reputation and visibility in the region has been greatly enhanced. Canada's participation in allied efforts in the Gulf heightened the awareness of Middle East countries towards Canada and our capabilities as a country and a trading partner. Markets have shifted and regional trade trends have tended to mirror the shifting political re-alignments. Our trade programme is adapting to these trends with the key being flexibility and adaptability to capitalize on new opportunities as they are developing. Altogether, there is enormous potential for Canada to capture a greater market share, although some constraints include financing restrictions in non-cash markets and lack of awareness on both sides of the demand/supply equation.

Merchandise exports in 1991 totalled almost \$1.2 billion; when services are added to this, Canadian exports were in excess of \$1.7 billion. 1992 merchandise exports are over \$925,000,000 and the total figure, including services and one \$400 million order which was transhipped, is expected to be over \$1.8 billion. The region for the most part is a cash market with an enormous appetite right now for Canadian high technology products including defence equipment. Canada is a significant importer of Middle East oil, in the range of \$700 million annually.

Although much of what we export to the region are commodities, increasingly, manufactured items, technology transfer and joint ventures are emerging as growth areas. Of great significance are recent major sales of defence products and the potential for substantially greater exports in this sector. Defence sales will remain inexorably linked to political issues and developments in the Middle East Peace process.

On the question of financing, EDC has concluded a \$US 500 million line of credit for Kuwait; a \$1 billion line of credit with Iran is pending. EDC has added to its existing three lines of credit with Israeli banks with a \$35 million line of credit with Israel Electric Corporation, and a similar line is being discussed with Israel Chemicals Ltd. EDC has designated the Middle East as a priority market and is eager to review opportunities for project financing.

### MARKET POTENTIAL (OVERVIEW)

- Canada imports over \$400 million in petroleum products from the Middle East in addition to over \$100 million in commodities and manufactured goods from Israel. Countries in the Middle East have petroleum resources to sell in exchange for manufactured and advanced technology exports.
- In addition to our growing reputation as a reliable supplier of goods, Canada is recognized as a country willing to assist in development and technology transfer. Tremendous opportunities exist in the education and training that Canada has the capability to supply. Many Canadian universities, community colleges and services exporters are active in this sector. Canada could be doing more in military-to-military training to bolster defence sales opportunities.
- Canada is a world leader in telecommunications, transportation, environmental technologies, agriculture, biomedical technologies, and power generation and transmission capabilities. All these sectors are priorities with our trade missions in the region and present viable export opportunities to many active Canadian exporters. Canada is recognized throughout the region as a supplier of quality high tech products. For example, Canada's position as a supplier of world-class products was established in the early 1980's by Bell Canada's \$4 billion telecommunications project in Saudi Arabia.