

THE MIDDLE EAST

- Conflict dominates the politics of the Middle East.
- Israel's peace treaty with Egypt was a major step forward in the peace process, but there remain serious unresolved problems between Israel and its Arab neighbours.
- The tragic and protracted civil war in Lebanon has complicated the process of settling regional disputes. It has also shattered that country's once thriving economy.
- The four year war between Iran and Iraq has exacted a horrendous cost in human lives and material resources, and continues to threaten the movement of oil from the Gulf.
- Reduced oil revenues, and the consequent postponement or scaling down of some of the vast development projects in the Gulf region, have affected the pace of economic growth. But these have not modified the longer-term commercial opportunities, especially in the oil-producing states.
- Arab investment abroad remains extensive, though it is necessarily happening at a slower pace than in the 1970s.

Canadian Dimensions

- Canadians have a profound interest in peace in the Middle East, for reasons of general international security, including security of oil supply, the welfare of the state of Israel and of its Arab neighbours and Canadians' extensive family ties with communities in the region.
 - For these reasons, we have persisted in seeking to persuade parties to regional conflicts to negotiate settlements of their differences.
 - Much as we cannot hope to exercise decisive influence, our willingness in the past to contribute to peace efforts has provided a basis for a mediating role.
 - Canada strongly supports a just and comprehensive solution to the Arab-Israeli dispute based on Security Council resolution 242, which provides for the right of all states, including Israel, to live within secure and recognized boundaries. We also support the realization of the legitimate rights of the Palestinians, including their right to a homeland within a clearly-defined territory, the West Bank and Gaza Strip.
 - Total Canadian exports to the Middle East are in the order of \$3 billion annually, but our share of the market remains very small. Substantial expansion of exports should be attainable.
 - Our major markets have been the oil-producing states. Important commercial exchanges have followed from the CIDA development co-operation program in Egypt. With adequate financing, it should be possible to develop markets in other countries.
 - The Canadian share of Arab investment abroad is small. There is scope for improvement.
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- We have 8 diplomatic, trade and consular offices in the Middle East.