

Background

CANADA-KUWAIT TRADE RELATIONS

Canada and Kuwait enjoy good relations, characterized by strong and extensive trade and investment links. The most defining event of the relationship has been Canada's participation in the Gulf War, which thrust Canada into closer ties with Kuwait.

Prior to the Gulf War, and despite a falling-off since the years of the oil boom, trade with Kuwait was significant and increasing steadily. Annual exports averaged \$30 million and included lumber, paper products, industrial chemicals, automobiles and auto parts, asbestos, prepared foods and health products. In 1990, Canadian exports included substantial quantities of wheat and barley for the first time. In addition, a number of Canadian engineering consultants and service firms entered the market. In recent years, Kuwait has become an important source of investment capital for Canada.

Canadian exports to Kuwait in 1991 totalled \$335.9 million -- an increase that was largely a result of one large contract for leased aircraft. However, actual Canadian exports to Kuwait in 1991 and 1992 were at prewar levels. Trade figures for 1993 show a 24-percent increase over the previous year, reaching \$34 million.

Beyond these encouraging statistics, there is growing interest in Canadian goods and services and evidence that Canadian firms are slowly making headway in the market. More than 60 Canadian exporters have agents or company representatives in Kuwait, and Kuwait accounts for more than half of the estimated \$4.2 billion worth of projects being pursued by Canadian firms in the Gulf.

Substantial business has been generated by the Canadian service sector in such fields as oil-well servicing and firefighting, as well as by the leasing of five aircraft to Kuwait Airways. Contracts were signed in early 1991 for two drilling platforms that incorporate local design modifications. Opportunities in the oil sector that show further potential include the construction and supply of oil-gathering stations with pipeline, drilling and refinery components.

In addition to the oil sector, expenditures are pending in other sectors where Canada has proven export capability: education, medical equipment, health care, telecommunications, security equipment and consulting engineering services. Consumer products and food also hold promise.