

that if questions of moral principle are involved Canadians would wish to take a strong stand despite any economic risk. Rather I am adopting this assumption of continuing friendship with the Arab states because it is only on such an assumption that a discussion of broadening bilateral relations with them has relevance.

In discussing our bilateral relations it has not been my intention to supplant studies on export promotions, cultural relations and the like which have been or may be undertaken as part of global reviews of particular Canadian activities abroad. Rather I have attempted to suggest ways of strengthening our ties with the countries of the Middle East and North Africa, recognizing that the implementation of my recommendations in the area would not take place in isolation from the formulation and development of Canada's general policies abroad.

Trade between Canada and the Middle East and North Africa has grown rapidly in recent years. In view of increasing wealth and development in that region based on oil and gas it offers good prospects for further growth. Widespread Canadian interest in doing business in these countries is for the most part relatively recent, but even at present the area represents the fifth largest market for our exports. In percentage terms the region has been our highest growth area for exports during the past decade. In the first ten months of 1979 our merchandise exports alone totalled over \$850 million. In addition during the same period Canadian corporations were involved in service contracts valued at over \$400 million. Already a significant number of Canadian firms, aided by the Department of Industry, Trade and Commerce, are active in market development in the region. Most of this effort is in sophisticated manufactured products and services, the export of which is of special significance to the Canadian economy. Many Middle Eastern and North African countries have launched a concerted program of infrastructure development. There is, as a result, good export potential for Canadian managerial, design and engineering skills.

The important Israeli market differs from those in Arab countries. Unlike other countries in the Middle East and North Africa, where there are opportunities for sales of a broad range of Canadian goods and services in the areas of infrastructure and high technology, Israel is highly developed economically with a well educated population and a considerable level of indigenous technological capacity. While opportunities do exist in infrastructure development most markets open to Canada in Israel are oriented to the sale of grains and items required in production such as machinery and minerals. The Israeli market, however, offers the advantage of being relatively easy for Canadian firms to operate in if they are competitive in price and quality. Israel has an open market system and longstanding ties exist between the peoples of our two countries. As a result our trade with Israel traditionally