



CANADA-ARAB BUSINESS COUNCIL
CONSEIL DE COMMERCE CANADO-ARABE
المجلس التجاري الكندي العربي

January 12, 2009

The Right Honourable Stephen Harper
Prime Minister of Canada
80 Wellington Street,
Ottawa, Ottawa
K1A 0A2

Dear Prime Minister,

As you head into this important new parliamentary session, I would like to take this opportunity on behalf of the members of the Canada Arab Business Council (CABC) to provide you with some suggestions on policies that could be promoted by your government to improve the success of Canadian businesses in these difficult economic times.

The CABC is a Canadian non-profit organization formed in 1983. Its members include some of Canada's most prominent and successful export firms. It also is comprised of supporting institutions and government organizations, all of which seek to promote and enhance two-way commercial relations between Canada, the Middle East and North Africa (MENA).

Business is growing in MENA, and the region continues to offer excellent opportunities for Canadian firms. Canada is a successful trading nation and we will obtain our fair share of business there, but we believe that government can play a critical role in significantly improving this trade potential by taking non-legislative initiatives now - in essence, accelerating the policies which are already in place.

As a first measure, particularly in this time of global financial downturn, we believe that the Canadian government must acknowledge, in a more targeted manner, the importance of fostering stronger trade links with the Arab world. While the outlook for many of the world's economic regions is not positive, MENA's growth prospects are excellent, and it is noticeably "open for business":

- The IMF's October 2008 Regional Report noted that MENA has "outpaced global growth for the ninth year in a row" due to its positive business and regulatory environment. Remarkably, the region's real GDP is still projected to grow by six percent in 2009.
- MENA is transforming itself as an attractive area for doing business. The World Bank reports that the MENA region ranks 4th among all regions of the world in having the most "business-friendly regulations", outperforming Latin America, South Asia, and Africa.

Now is the time for the government to recognize that Canadian firms have been capitalizing on economic opportunities in the MENA region and with increased support, much more is attainable. Yes, India, Russia and Brazil are impressive developing markets. But our exports to the Arab Gulf countries alone are comparable to those to India and are greater than our exports to Brazil or Russia. To be fair, the Canadian government has recognized that the Gulf and other Arab countries deserve greater attention, however, we still lag behind our global competitors in fostering trade in the region. Consider the efforts being spearheaded by trading nations whose firms we frequently compete with:

- The United States, Australia, and Europe are accelerating free trade talks with the MENA region while Canada is lagging behind.
- The United States has already signed free trade agreements with Jordan, Morocco, Bahrain, and Oman, and is in negotiations with several others in the region.
- The European Union has signed free trade agreements with nine MENA countries and is in negotiations with the six-country Gulf Cooperation Council.
- Australia, which is similar to Canada in exports and competitiveness, has consistently enjoyed a trade surplus while Canada is in trade deficit with the MENA region.
- With the exception of our free trade negotiations with Jordan, Canada has not kept pace with the trade negotiations of other countries.

To ensure Canadian businesses can compete effectively for work in this region, we urge the Government to create a similar trading web in MENA to that of our international competitors, and particularly, to adopt trade policies comparable to our NAFTA partner, the United States.

Consider as well how those living in this region see us. 'Brand Canada' has a very positive impact - our products and services and our business values are all highly respected. To maintain this natural advantage there is a need to increase not only our private sector presence in the region, but our government's as well.

- We encourage more frequent, Ministerial-level engagement with the region through incoming and outgoing visits and trade missions.
- We welcome an increased Canadian diplomatic presence. Economic studies have shown that countries can increase their exports by six to ten percent for each mission opened abroad.

CABC believes the time is ripe for Canada to take advantage of the opportunities in MENA. We therefore ask that you consider the following specific proposals:

1. Promote stronger Canadian-MENA trade by increasing the trade and economic resources assigned to the MENA, including the opening of new missions and the use of Honorary Trade Commissioners. As previously announced, expedite the opening of new missions in Qatar and Yemen.
2. Prepare an accelerated timetable to negotiate Foreign Investment Protection Agreements (FIPAs) with MENA countries. Expedite commitments to negotiate a Free Trade Agreement with the Gulf Cooperation Council. Initiate Free Trade Agreements with Morocco, Tunisia, Algeria, Egypt and Lebanon which already have agreements with either the United States or the European Union.
3. Organize, in co-operation with the CABC, a series of Government led trade missions to the region with the objective of visiting all MENA countries in the next four years with repeat visits to all priority markets.
4. Facilitate economical and efficient air links for cargo and business and tourist travel by expanding the network of air agreements and the frequency of existing ones. The objective is to have frequent daily flights to as many Middle East locations from Canada as possible.
5. Develop a welcoming visa control programme for business visitors in line with those of the United Kingdom, Australia, New Zealand and the United States.
6. Update the list of "qualifying" employers under the Income Tax Act's Overseas Employment Tax Credit (OETC), to include education, health and other sectors of the Canada's service economy. As Canadian businesses compete in providing health care, education, and engineering services to MENA markets, Canada is losing market share to other countries that do not need to factor in these added costs in their bottom line.

Mr. Prime Minister, we thank you and your government for initiatives you have taken to date to promote trade with the MENA region. We are confident that your strong support and quick implementation of these suggestions will generate meaningful results for Canadian businesses seeking to weather the current economic storm. We are willing to meet with you, your Ministers and government officials at your earliest convenience to assist in any way that we can to reach that goal.

Sincerely yours,



J. Hugh O'Donnell

Chairman
Canada-Arab Business Council