

RPTR1

## TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

## 89/90 TRADE AND ECONOMIC OVERVIEW

Mission: TFL AVIV

Country: ISRAEL

THE PROGRAM OF ECONOMIC STABILIZATION FIRST IMPOSED IN 1985 WAS CONTINUED THROUGHOUT 1988. THE GOALS OF REDUCING THE BUDGET DEFICIT, BRINGING INFLATION DOWN TO AN ACCEPTABLE LEVEL, AND MAINTAINING EXCHANGE RATE STABILITY HAVE IN LARGE PART BEEN ACHIEVED, ALTHOUGH NOT WITHOUT SOME DISCOMFORT. GOVERNMENT SPENDING CUTS HAVE SERIOUSLY AFFECTED THE NATIONAL HEALTH SYSTEM, THE EDUCATIONAL SYSTEM AND EVEN THE STATUS OF MILITARY PROCUREMENT PROGRAMS. EXPORTERS COMPLAIN THAT DOLLAR EARNINGS FROM FOREIGN SALES NO LONGER COVER COSTS IN LOCAL CURRENCY, WHICH HAVE CONTINUED TO RISE AT A RATE OF 17-20% ANNUALLY. THEY DEMAND A DEVALUATION, WHICH THE GOVERNMENT IS PLEDGED TO AVOID. IN ISRAEL, WHERE WAGES ARE LINKED TO THE COST-OF-LIVING INDEX, DEVALUATIONS TRANSLATE INTO INFLATIONARY WAGE INCREASES AND BECOME SELF-DEFEATING. THE STABILIZATION PACKAGE ALSO INCLUDES PUTTING AN END TO CONSUMER SUBSIDIES AND PRIVATIZING MOST PUBLICLY-HELD ENTERPRISES, A MOVE WHICH REFLECTS THE SHIFT TO THE RIGHT IN ISRAELI POLITICS. AS A CONSEQUENCE OF THE AUSTERITY MEASURES, ECONOMIC GROWTH BEGAN TO SLOW TOWARD THE MIDDLE OF 1988. INDUSTRIAL OUTPUT FELL FROM THE PREVIOUS YEAR BY 5-10%, ACCORDING TO SECTOR, AND TAX REVENUE SLUMPED. ADDED TO THESE DIFFICULTIES IS THE COST OF THE PALESTINIAN UPRISING, THE COST OF EXTRA SECURITY MEASURES, THE ABSENCE OF MANY WEST BANK LABOURERS FROM THE WORKFORCE AND THE DELETERIOUS EFFECT ON TOURISM RECEIPTS ARE ESTIMATED TO HAVE COST THE ECONOMY WELL IN EXCESS OF A BILLION DOLLARS. ISRAELI IMPORTS GREW BY 11% DURING THE FIRST 8 MONTHS OF 1988, AND ARE PROJECTED TO REACH US\$13 BILLION FOR THE YEAR. CANADIAN EXPORTERS MAINTAINED MARKET SHARE, DESPITE THE EXISTENCE OF THE USA/ISRAEL FTA, AND WILL AGAIN RECORD SALES WELL IN EXCESS OF \$100 MILLION. IN ADDITION TO SALES OPPORTUNITIES OFFERED BY THE MARKET FOR OUR TRADITIONAL EXPORTS, SEVERAL AREAS OFFER POTENTIALLY INTERESTING PROSPECTS: RAILWAY EXPANSION, ENVIRONMENTAL PROTECTION SYSTEMS, AND CAPITAL EQUIPMENT FOR A VARIETY OF INDUSTRIAL PLANTS. AN ESPECIALLY INTERESTING FEATURE OF THE ISRAELI ECONOMY IS THE PRESENCE OF LOCALLY-DEVELOPED HIGH TECHNOLOGY IN SECTORS OF RELEVANCE TO CANADIAN FIRMS. THE POST HAS DEVELOPED, IN CO-OPERATION WITH NCR, A PROGRAM TO ASSIST COMPANIES LOCATE AND ACQUIRE TECHNOLOGY IN SEVERAL FIELDS, NOTABLY THE MEDICAL, AGRICULTURAL AND BIOTECHNOLOGY SECTORS.

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CYPRUS: IN ADDITION TO BEING A MODEST MARKET FOR A WIDE RANGE OF CANADIAN GOODS AND SERVICES, CYPRUS OFFERS ITSELF AS A CONVENIENT AND CONGENIAL BASE OF OPERATIONS FOR FIRMS DOING BUSINESS IN THE REGION GENERALLY. POWER PROJECTS, AS WELL AS WATER AND SEWAGE DEVELOPMENTS, ARE OF SPECIAL INTEREST, BUT FINANCING TERMS ARE COMPETITIVE.