

## ISRAEL

Three years into the Canada-Israel Free Trade Agreement (CIFTA), bilateral trade between the two countries is increasing steadily. Two-way trade in goods expanded to \$707 million in 1999, an increase of 12.1 percent from 1998. Canadian merchandise exports to Israel increased 23.6 percent over 1998 to \$265 million. Canadian firms continue to make strong gains in such priority sectors as telecommunications, transportation, agri-food, construction equipment and pulp and paper. Telecommunications, in particular, has seen increased investment activity by Canadian firms.

Although negotiations on a FIPA have not progressed, Canadian firms report no difficulties in this market.

The most significant factors in increased trade between Canada and Israel continue to be the absence of virtually all tariffs on industrial products and the reduction of tariffs on many agriculture and agri-food products. As provided for under the CIFTA, Canada and Israel continue to engage in discussions (three meetings were held in 1999 alone) to further liberalize bilateral trade in agriculture and agri-food products. Canadian producers and exporters have advised the Government of the following priority areas in which Canada should seek to improve access to the Israeli market: fish; prepared frozen foods; and fresh and frozen fruit and vegetables.

## WEST BANK AND GAZA STRIP

Canada is committed to promoting trade and investment relations with the Palestinians. The Joint Canadian-Palestinian Framework on Economic Cooperation and Trade will improve market access and customs procedures while supporting emerging industries in this market.

Advances in the Middle East Peace Process will simplify the movement of goods in and out of the West Bank and Gaza Strip. The opening of the Gaza International Airport and the safe-passage route will ease importers' access to the Palestinian Territories and to other Arab neighbours.

## SAUDI ARABIA

Multilateral negotiations regarding Saudi Arabia's accession to the WTO began in May 1996. Canada's underlying objective in both the bilateral and multilateral negotiations is to secure reform and market access commitments that are commensurate with Saudi Arabia's role in global trade and investment and its importance as Canada's largest export market in the Middle East. In 1999, Canada's merchandise exports totalled \$273 million, a decrease of 10.4 percent from 1998. Canadian FDI in Saudi Arabia is \$6 million, and investment potential is high given Saudi Arabia's announcement of new investment requirements in the area of power generation/transmission (\$160 billion over the next 25 years), telecommunications (\$8 billion over the next ten years) and natural gas (\$5.5 billion over the next five years). The newly created Supreme Economic Council has been entrusted with a clear mandate to introduce attractive foreign investment regulations, eliminate unnecessary government expenditures, find new sources of government revenue and reduce government bureaucracy.

The WTO working party on Saudi Arabia's accession has made significant progress in its examination of Saudi Arabia's foreign trade regime and is now beginning to shift its focus to setting out the detailed terms of the accession. The sixth working party meeting, which was held in September 1999, focussed on issues such as technical barriers to trade, import licensing, customs valuation and IP production. Members stressed the importance of Saudi Arabia providing copies of draft regulations and legislation in these areas.

Both bilateral and working party negotiations will continue in 2000. While Saudi Arabia has significantly improved its market access offers, Canada will continue to press in the bilateral negotiations for lower tariff rates on key agricultural and industrial exports, such as grains, fish, wood products, paper and medical equipment. Canada is also seeking Saudi Arabian acceptance of other zero-for-zero agreements, the ITA and the Pharmaceutical Agreement; full binding of its tariffs; and membership in the AGP. On services, Canada is seeking more open and predictable access for its services providers in such key sectors as telecommunications, professional