



7 *Opening Doors to Other Key Markets*

Middle East

ISRAEL

The year 2003 marks the sixth anniversary of the implementation of the Canada-Israel Free Trade Agreement (CIFTA). The most significant factors in the increase in trade between Canada and Israel continue to be the absence of tariffs on virtually all industrial products and the reduction of tariffs on many agricultural and agri-food products. Bilateral trade has more than doubled since CIFTA came into effect. Trade in goods and services reached almost \$1 billion in 2002. Machinery, newsprint and high-technology products comprise the bulk of Canadian exports. Canadian companies are also strong services exporters, particularly in sectors such as transportation infrastructure. In addition, Canadian firms continue to make strong gains in priority sectors such as aerospace, information and communications

technologies, transportation, agriculture and agri-food, and wood and paper products.

As provided for under CIFTA, Canada and Israel continue to engage in discussions to further liberalize bilateral trade in agricultural and agri-food products. As a result of consultations with Canadian producers and exporters, Canada continues to press for improved access to the Israeli market for prepared and frozen foods, canola oil, fresh and frozen fruit and vegetables, pulse crops and pet food. Such access will help maintain Canadian exporters' competitive position vis-à-vis exports from other countries, and will also help secure long-term opportunities for Canadian agri-food products. Canada and Israel agreed at the outset of the current round of bilateral negotiations to exclude the supply-managed sectors of dairy, eggs and poultry. Canada is also seeking improved access for pharmaceutical products.

On July 8, 2002, amendments to CIFTA were implemented that allowed most goods originating from either Canada or Israel to undergo minor processing in the United States without losing their originating status, thus maintaining preferential customs duties under CIFTA.

Two-way flows of direct investment were estimated at nearly \$1.3 billion for the years 1999 to 2001. There is bilateral investment activity in a wide range of sectors including information and communications technologies, construction and life sciences. There are no particular barriers faced by Canadian investors in Israel.

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, signed in 1999, establishes a commercial relationship based on free trade. Aside from eliminating tariffs, the framework aims to improve market access and customs procedures while supporting emerging industries in this market.

Palestinian law stipulates that a local agent or representative is required to sell into this market. The state of the Middle East Peace Process can affect the movement of goods into and out of the West Bank and Gaza Strip.