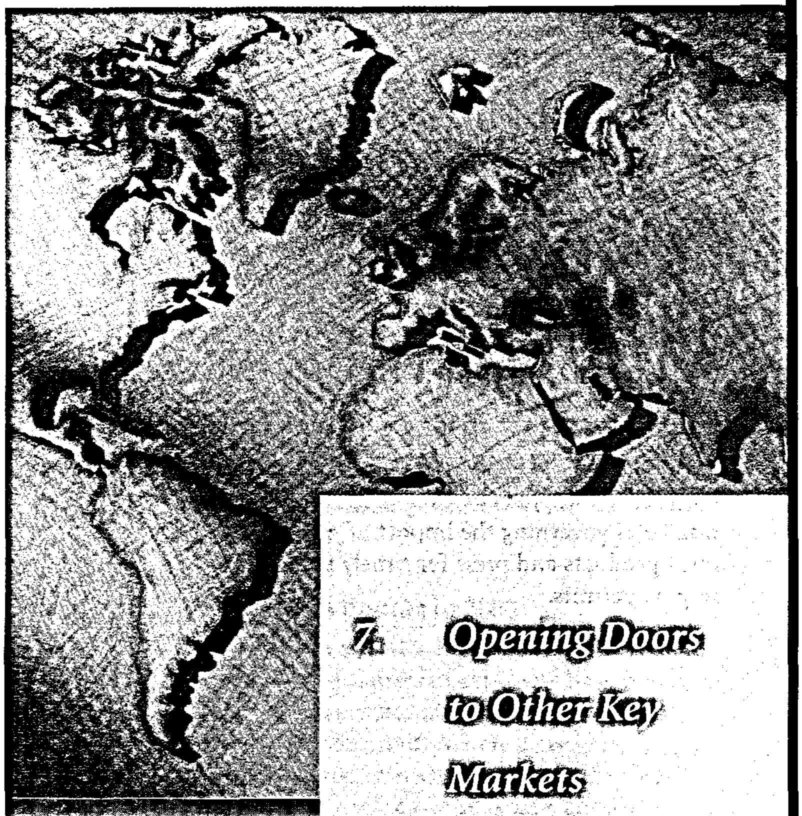

7. Opening Doors to Other Key Markets

Middle East

Israel

The Canada-Israel Free Trade Agreement (CIFTA), in force since January 1997, continues to stimulate bilateral trade. Two-way trade in goods exceeded $905 million in 2000, an increase of 22.7 percent from 1999. Canadian companies are also strong service exporters particularly in such sectors as transportation and infrastructure. Canadian firms continue to make strong gains in such priority sectors as telecommunications, transportation, agri-food, construction equipment and pulp and paper.

Both Canadian foreign direct investment in Israel and Israeli investment in Canadian companies are estimated to exceed $1 billion in each direction and investment potential remains high given Israel's attractive investment incentives. Increasing investment activity by Canadian firms in the telecommunications and software sectors has led to significant commercial successes.

Although negotiations on a Foreign Investment Protection Agreement 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 tariffs on virtually all 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 to further liberalize bilateral trade in agriculture and agri-food products. Following consultations with Canadian producers and exporters, Canada will continue to press for improved access to the Israeli market in the following priority areas: prepared foods, frozen foods, fresh and frozen fruit and vegetables, fish and fish products, pulse crops and pet food. Canada is also seeking improved access for pharmaceutical products.

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.