

obtained without it. Nevertheless, export financing by other OECD states still overshadows that available to Canadian companies. Moreover, these competitors often benefit from a number of existing trade arrangements, such as the Lomé Convention of the European Community. Notwithstanding, Canadian companies have been increasingly successful in penetrating geographical and sectoral markets.

In 1988, Algeria and Morocco were the top two importers of Canadian products, at nearly \$300 million each. Canada's exports to Africa covered a range of sectors including wood, fish and seed potatoes from the Maritimes; engineering and telecommunications equipment from Quebec; manufactured products including locomotives and aircraft from Ontario; wheat, sulphur, and oil and gas equipment from the Prairies; and lumber and smoked salmon from British Columbia. Major Canadian engineering companies were active, with contracts of more than \$200 million for the year; these were primarily in energy (transmission lines, water distribution systems), education, forestry, transport and telecommunications sectors.

During 1988 the Department assisted in opening a new office for the Canadian Association for the Private Sector in Southern Africa in Harare, Zimbabwe, with the mandate to develop economic co-operation between the Canadian and Southern Africa business communities.

The Middle East

During the year under review, Canada worked to increase the prospects for an early settlement of the Arab-Israeli dispute, by encouraging an end to the cycle of violence in the occupied territories and the adoption of practical and realistic confidence-building measures to create conditions for negotiations. Canada has long regarded the requirements of a just and durable peace to be Israel's right to exist within secure and recognized borders, a principle underlying UN Security Council resolutions 242 and 338, as well as the recognition of the legitimate rights of the Palestinians.

There were a number of important developments in the region over the past year, including the continuing Palestinian uprising, the Jordanian disengagement from the West Bank and the Israeli elections. In the latter part of 1988 the Palestine National Council accepted Security Council Resolution 242 as a basis for a peace conference on the Middle East, and this and further helpful statements by PLO Chairman Arafat explicitly recognizing Israel culminated in the establishment of a PLO-U.S. dialogue in early 1989.

Following a thorough review of these developments, in March 1989 Mr. Clark announced that Canada had concluded that these changes in PLO positions largely addressed the reservations Canada had expressed, and that accordingly Canada was ending restrictions on official meetings with representatives of the PLO. He also reiterated that Canada does not recognize the Palestinian state as declared at Algiers, but that Canada does support the principle of self-determination for the Palestinian people, to be exercised through peace negotiations.

The situation in the occupied territories continued to be a matter of concern. In both bilateral and multilateral meetings, Canada pressed the Israeli government to recognize the applicability of the Fourth Geneva Convention to the occupied territories, and to cease their practices of deporting Palestinians, demolishing houses, etc.

In its frequent bilateral contacts with Israel, the Arab states in the region and interested parties such as the United States and the PLO, Canada has encouraged a search for pragmatic solutions in the peace process, acceptable to the main parties to this conflict.

During his January 1989 meeting with Israeli Foreign Minister Moshe Arens in Paris, Mr. Clark urged the Israeli government to propose realistic initiatives which would move the peace process forward towards a process of negotiations which would require the participation of the PLO as the principal representative of the Palestinians. Subsequently, in March, Prime Minister Mulroney met with King Hussein of Jordan in the Hague and discussed opportunities for progress. Ongoing dialogue with the PLO, such as the January visit to Canada by the Director General of its Economic Department, provided opportunities to stress the need for compromise and non-violent solutions. A visit to Egypt and Saudi Arabia in February 1989 by Mr. Raymond Chretien, the Associate Under-Secretary of State for External Affairs, was a further occasion to reiterate Canadian commitment to support moderate proposals that will accelerate the peace process.

In its bilateral relations with Israel, Canada welcomed working visits made separately by senior officials from the Israeli Ministry of Foreign Affairs and Dr. Ben-Elissar, Chairman of the Israeli Knesset Foreign Affairs Committee. Canada's Associate Minister of Defence, Paul Dick, visited Israel in April 1988. As part of continuing efforts to promote well-informed discussion on the Middle East, the Department assisted other visits to the region by parliamentarians, academics, journalists and groups such as the National Defence College.

During the year, Canada continued to develop strong and substantial relations with various Arab countries as well.

Egypt attracted particular interest as it returned to its traditional leadership role in the Arab world. Canada strongly supports President Mubarak's active role in the regional peace process. Canada's support found tangible expression in such practical measures as continued participation in the Multinational Force and Observers in the Sinai and substantial development assistance in the order of \$24 million per annum. The visit to Canada of the Egyptian Deputy Prime Minister and Minister of Planning in June 1988 reinforced Canada's broadly based ties with the Egyptians. During the visit, Canada expressed sympathy for Egypt's current economic difficulties and has since encouraged Egypt to reach early agreement with the IMF on necessary measures to resolve these problems.

The period under review witnessed a steady expansion of bilateral ties between Canada and Jordan, pursuant to new initiatives identified during the visit to Canada of HRH Crown Prince Hassan in June 1987 and the earlier visit of Mr. Clark to Amman in 1986. Energy co-operation remained in the forefront, as Canada provided technical and exploration-related assistance to Jordan to help exploit its hydrocarbon potential. In December an extension to the agreement between Petro-Canada International Assistance Corporation (PCIAC) and the Natural Resources Authority of Jordan brought PCIAC's total contribution to Jordan for exploration activity to \$32 million. The cross-Canada tour of the Jordanian Minister of Energy and Planning in June enabled him to identify new potential for co-operation in the hydrocarbon, hydroelectric, and related energy fields.