



7 *Opening Doors to Other Key Markets*

Middle East

ISRAEL

Overview

Israel is a modern, diverse and sophisticated country of more than six million people. With GDP per capita equivalent to that of countries in the Organization for Economic Cooperation and Development, Israel ranks as one of the most competitive nations of the 21st century. Israel is home to one of the world's most skilled and educated workforces (the majority of whom speak English) and has more doctors, scientists and engineers per capita than any other nation. Israel has gradually shifted from traditional low-technology and heavy industry toward services and the production of higher-value products for the high-technology industry. To a significant extent, it is the high-technology sector

and technology exports that are responsible for the country's economic growth. Contributing over half of GDP, the high-technology sector is expected to continue to drive economic growth.

In recent years, the general economic philosophy has shifted toward greater market orientation and openness to the world economy. This has been reflected in decisions to undertake fundamental economic reforms, provide foreign investment incentives and negotiate free trade agreements with many countries, including Canada. The openness of the economy, combined with heavy reliance on the high-technology sector, which accounts for half of Israel's exports, makes the country particularly vulnerable to global economic swings. Israel is currently experiencing an economic downturn related to the political situation, the world economic slowdown and the high-technology slump. Most sectors remain far below the peaks of 2000, and only weak recovery at best is expected for 2004. The security situation has had a particularly adverse effect on traditional sectors such as tourism, construction and agriculture. Nonetheless, Israel's new economy has shown remarkable resilience in the face of severe strain.

Despite the current climate, Canada and Israel have maintained a robust trade relationship, with two-way trade totalling nearly \$855 million in 2003. Our trade with Israel has increased by over 50% since the Canada-Israel Free Trade Agreement (CIFTA) came into effect in 1997, and tariffs on almost all products manufactured in Canada and Israel have been eliminated. Canada's major exports to Israel include machinery and electrical equipment, aircraft parts, wood and paper, and telecommunications equipment. Israel is also an important market for Canadian services exports, which were estimated at \$100 million in 2003. Canadian firms have also developed successful joint venture partnerships in information technology, biotechnology and construction.

Market Access Results in 2003

- Pursuant to an expansion of the terms of CIFTA, Israel now grants duty-free access to Canadian exports of wheat, frozen blueberries, potato flakes, flour and corn, as well as to some frozen vegetables and various dried peas and beans.