



Israel. Canada and the Palestinian Authority have recently completed successful negotiations on an instrument to promote our trade and investment relations. The "Joint Canadian-Palestinian Framework on Economic Cooperation and Trade" will improve market access and customs procedures, while supporting the 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. The opening of the Gaza International Airport provides a new window for exporters to Gaza 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 to Canada as our largest export market in the Middle East with \$305 million worth of merchandise exports in 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 10 years) and natural gas (\$5.5 billion over the next five years).

The WTO Working Party on Saudi Arabia's accession is continuing its full examination of Saudi Arabia's foreign trade regime. The fifth Working Party meeting was held in November 1998 to discuss concerns that Members still have in areas such as technical barriers, customs valuation and Saudi Arabia's agriculture regime. Canada-Saudi Arabia market access negotiating sessions were held in February and November 1998. In general, progress in the accession remains slow: bilateral negotiations, for example, are still at an early stage. Responding to pressure from Canada and other WTO Members, Saudi Arabia presented revised market access offers for goods and services; however, neither offer would provide Canadian exporters with real market access gains. Canada will continue to press for lower tariff rates in key agricultural and industrial exports such

as grains, fish, wood and automotive products. Canada is also seeking Saudi Arabian acceptance of existing zero-for-zero agreements, the ITA and the Pharmaceutical Agreement; full binding of its tariff offers; and membership in the Agreement on Government Procurement. On services, Canada is seeking more open and predictable access for its service providers in key sectors such as telecommunications, professional services, a broad range of financial services, and other business services. In terms of horizontal services commitments, Canada would like to see improvements in the Saudi Arabian services offer regarding the permitted types and level of foreign commercial presence and the ability of persons either as individuals or representatives of Canadian service firms to enter Saudi Arabia on a temporary basis to provide services. Both bilateral and Working Party negotiations will continue in 1999, with much work still to be done before Saudi Arabia will be in a position to accede to the WTO.

SOUTH AFRICA

South Africa remains Canada's top trading partner in Sub-Saharan Africa. In 1998, Canadian merchandise exports to that market totalled \$296 million, 18 percent below the 1997 level. Canada has extended the General Preferential Tariff to South Africa since 1994. In 1998, Canada imported \$514 million from South Africa. This represents a 3.3 percent increase over 1997.

Over the past year, the major development in our bilateral trade relations was the signature of the Canada-South Africa Trade and Investment Co-operation Arrangement (TICA). This arrangement was signed in September by International Trade Minister Sergio Marchi and South African Finance Minister Trevor Manuel. The signature took place at a ceremony in Ottawa, witnessed by Prime Minister Chrétien and President Mandela.

The TICA provides a framework for enhanced dialogue on trade and investment matters, both bilateral and multilateral. It establishes a Consultative Group, led at the senior officials level, which will meet every eighteen months. The Consultative Group will review trade and investment opportunities and address market access difficulties that may