Fortnightly - June 25, 2008

TOP STORIES

- Gov. Fischer Defends Economic Record of Current Government
- Luz II Technology Offer Cheap Solar Power
- Greece's e-zy.net Opens New Manufacturing and Distribution Center in Utah
- Jordan & Iraq Agree to Extend Work with Oil Agreement For 3 Years
- US Investments in Bulgaria Reach Well Over $1 Billion
- Israeli High-Tech Salaries Approach US Levels

TABLE OF CONTENTS:

Back to Top

Back to Top

3: REGIONAL PRIVATE SECTOR NEWS

Back to Top

4: ISRAEL MACRO-DEVELOPMENTS

Back to Top

5: ARAB STATE & PAKISTANI DEVELOPMENTS

Back to Top

6: TURKISH, CYPRIOT, GREEK & BULGARIAN DEVELOPMENTS

Back to Top

7: GENERAL NEWS AND INTEREST

*ISRAEL:

Back to Top

10: ISRAEL ECONOMIC STATISTICS

Back to Top

11: In Depth

Back to Top

1: ISRAEL GOVERNMENT ACTIONS & STATEMENTS

1.1 MKs Set to Dissolve Knesset

Unless there are last-minute changes, at the time of this writing, the Knesset plenum will vote shortly on a bill to dissolve the 17th Knesset. Although the plenum will only hold a preliminary vote, Globes reported that there is a strong likelihood that the government of Prime Minister Olmert has reached the end of the road. At the moment, there appears to be a majority in favor of the bill: 64 MKs in favor and 49 against. Political sources predict, however, that a deal will likely be struck for early elections before the vote. Sources close to Olmert insist that he is determined to fire the Labor Party ministers if they support the bill. On the other hand, the Labor Party is adhering to a 23 June party decision to support the bill. Labor sources said that if Olmert fires the ministers, the party will seek to bring down the government immediately by a no-confidence motion next Monday. At this stage, it appears that the Knesset will pass the bill, even though most MKs would prefer the creation of a new government instead of dissolving the Knesset. Most MKs are well aware that they would lose their seats in a new election. The Likud party, led by Benjamin Netanyahu, is poised to be swept in to form the next government, whenever elections are held. (Globes 24.06)

Back to Table of Contents

1.2 Gov. Fischer Defends Economic Record of Current Government

On 24 June, Governor of the Bank of Israel Prof. Fischer commented for the first time on the coalition crisis and the possibility that the Olmert government will fall, and its possible impact that this would have on the economy. He made the comments at a meeting with Israeli and French manufacturers. Fischer said, "We all hear that we have a weak government, but in fact this government has succeeded in maintaining very strong fiscal discipline. I predict that this year's government deficit will be less than projected, only 1% of GDP, or NIS 7 billion, compared with the NIS 12 billion target set by the government." Fischer added that the Bank of Israel's new growth forecast means that there will be a significant slowdown in growth later this year, even though the growth forecast for the year as a whole is 4.2%. "Even if there is no growth later this year, the high growth in the first quarter will lead to 3.5% growth for the year as a whole," he said. Fischer continued, "Even with a slowdown in the growth rate, it is still necessary to deal with inflation, and we began to do so last month. We raised the interest rate both a month ago and yesterday, and we said that we will do everything necessary to bring inflation back within the 1-3% target range." (Globes24.06)

Back to Table of Contents

2: ISRAEL MARKET & BUSINESS NEWS

2.1 BrainStorm Cell Therapeutics Wins Chief Scientist Office Grant for Second Consecutive Year

BrainStorm Cell Therapeutics has been awarded a grant from Israel's prestigious Chief Scientist Office (CSO). The company will receive approximately $870,000 over the remainder of the current fiscal year to fund the continuing development of treatments for ALS and Parkinson's disease. This is the second consecutive year that BrainStorm will be receiving this grant from the CSO. In 2007, the company was awarded a grant totaling $340,000. Based on the previous studies conducted by the company, the new extensive research in ALS and the opening of the Company's animal house, the CSO has more than doubled its grant to the Company. The funding of the grant is based on a $1.8 million R&D forecast plan over 12 months. The grant requires that the Company agree to provide a 3% royalty to the Government's

Ministry of Trade & Industry program, which offers incentives to high-tech and biotech companies to enhance their research and development. The money was designated by the CSO to further develop BrainStorm's adult stem cell technologies and therapeutics. The Company's royalty obligations are capped at the amount of grant proceeds it receives from the CSO. Petah Tikva, Israel's BrainStorm Cell Therapeutics (http://www.brainstorm-cell.com) is an emerging company developing adult stem cell therapeutic products, derived from autologous (self) bone marrow cells, for the treatment of neurodegenerative diseases. The NurOwn patent pending technology allows for the differentiation of bone marrow-derived stem cells into functional neurons and astrocytes, as demonstrated in animal models. The Company's initial focus is on Parkinson ALS and Spinal Cord Injury, although its technology has promise for treating several others diseases including MS, Huntington's disease and stroke. (BrainStorm16.06)

Back to Table of Contents

2.2 Elbit Systems & the Technion to Establish New Vision Systems Research Centre

Elbit Systems and the Haifa-based Israel Institute of Technology (the Technion) signed a joint research agreement in the field of vision systems. According to the agreement, Elbit Systems will award research grants during the next five years, to selected Technion researchers of the Electrical Engineering Department. These researchers will support their research using Elbit Systems' advanced Eye Tracking laboratory. Elbit Systems recently published a call for research in vision and computer aided vision fields, directed at students and researchers from the Electrical Engineering Department of the Technion. Researchers in the eye tracking field will examine, among other aspects, the human eye's capability to track objects in space, and qualify and categorize the objects perceived (3D movement, etc.). The vision researches' findings are expected to contribute to the improvement of data fusion capabilities in determining targeted objects' outlines, efficient automatic calibration in case of overlapping cameras' fields of vision, picture reconstruction and more.

Haifa, Israel's Elbit Systems (http://www.elbitsystems.com) is a world leader in vision systems, offering its cutting edge technology in diverse fields, such as advanced helmet mounted systems for combat aircraft, providing pilots with critical flight and mission information which is projected on-line into the pilots' helmets, without the need to turn or lower their gaze. The electromagnetic position tracking technology enables accurate detection of the pilot's head position and field of vision. (Elbit Systems15.06)

Back to Table of Contents

2.3 Cantor Fitzgerald Opens New Office in Tel Aviv

Cantor Fitzgerald, a leading financial services firm serving the world's institutional equity and fixed income markets, and one of 20 financial institutions designated as a primary dealer by the U.S. Federal Reserve, announced the opening of a new office in Tel Aviv, Israel, further expanding its global franchise in serving the world's equity capital markets. Based at Discount Tower in the heart of Tel Aviv's financial center, Cantor's new office has been opened to meet the needs of existing clients and the requirements of an expanding client base in Israel and the Middle East including banks, hedge funds, asset managers and high net worth individuals. The firm's product offerings include cash equity, foreign exchange cash and derivatives, futures and options, structured products and private placements. The Tel Aviv office is a Branch of Cantor Fitzgerald Europe, which is regulated by the UK Financial Services Authority (FSA). (Cantor18.06)

Back to Table of Contents

2.4 Luz II Technology Offer Cheap Solar Power

On 12 June, Luz II and its American parent, Brightsource Energy launched an experimental solar technology plant in Israel's Negev Desert, a prototype designed to drastically cut the cost of energy produced from the sun. The plan is to use the Israeli solar array to test new technology for the three new solar plants they are building for California utility Pacific Gas and Electric Company. The new technology uses fields of computer-guided flat mirrors called heliostats to track the sun and focus its rays on a boiler at the top of a 200-foot tower. Water inside the boiler turns to steam, which powers a turbine and produces electricity. The steam is then captured and cooled naturally so the water, scarce in the desert, can be reused. The concept is in the final testing stage. Results from the experimental facility, a fraction of the size of the commercial plants, are expected by the end of the summer. The plan is to complete full-sized facilities in California's Mojave Desert by 2011. The test plant does not have a turbine to create electricity, but engineers can measure the pressure and temperature of the steam to estimate how much energy the towers would produce. Jerusalem, Israel's LUZ II (http://www.luz2.com) develops utility-scale solar power plants using a unique, proprietary technology which converts sunlight to electricity. LUZ II's technology provides relatively low-cost power during peak demand periods. By using standard, inexpensive materials and economies of scale in manufacturing, LUZ II's plants achieve the lowest cost solar electricity in the world. (Various12.06)

Back to Table of Contents

2.5 ANADIGICS Expands Broadband and Wireless Sales Support in Israel

Warren, New Jersey's ANADIGICS announced that they have selected MTI Engineering as their manufacturer's representative for Israel. MTI will represent ANADIGICS' complete line of wireless and broadband RF semiconductor products effective immediately. Established over 30 years ago, MTI provides consultation and representation to electronics companies worldwide. The company's highly skilled professional and management team have in-depth knowledge and functional understanding of how Israel's top electronic companies conduct business. ANADIGICS' robust product portfolio of broadband and wireless products will enable MTI to provide leading-edge RF solutions to our telecommunications customer base. ANADIGICS is a leading provider of semiconductor solutions in the rapidly growing broadband wireless and wireline communications markets. (Anadigics18.06)

Back to Table of Contents

3: REGIONAL PRIVATE SECTOR NEWS

3.1 Hamleys Chooses Jordan After Europe

Hamleys, iconic UK toy retailer, has announced that it will inaugurate its first store outside Europe, choosing Amman, Jordan as its debut in the Middle East. The announcement took place during a major press conference held on 10 June 2008. Comprised of a three-story structure, Hamleys Jordan is due to open its doors shortly, offering thousands of different toys and gifts for all ages, including a wide range of classic favorites, as Hamleys' branded soft toys and animals, pre-school toys, family and travel games, outdoor activity tools, educational toys, arts and crafts. Founded in 1760 by Cornishman William Hamley, Hamleys has been a London tradition for almost 250 years. Today, Hamleys' Regent Street flagship with its seven storey store attracts five million visitors a year and has developed an international reputation for its magical atmosphere, choice of products and spectacular window displays. The arrival of Hamleys to Jordan will be part of the famous toy store's ambitious plans to grow the brand further through franchise stores in territories such as Dubai, China and India. (Al Bawaba 11.06)

Back to Table of Contents

3.2 US Firm To Set Up Private Jet Operations From Dubai

Englewood, Colorado's XJet World, an US-based private aviation service provider, has signed a deal with Dubai World Central (DWC) Aviation City to set up a fixed base operations (FBO) facility for business and private aircraft. With an initial investment of $35m, this will be XJet's first such facility in the Middle East. The contract was signed by Abdullah Al Qurashi, CEO, DWC Aviation City, and Josh Stewart, [resident and CEO, XJet World, at the Aircraft Interiors Middle East (AIME) 2008 show held recently in Dubai. The 158,444 square foot facility within DWC, the 140 square kilometer urban aviation project centered around the world's largest international airport, will offer exclusive facilities in the industry. (XJet 21.06)

Back to Table of Contents

3.3 Maui Wowi Hawaiian Furthers Its Middle East Presence with Saudi Arabia Master Franchise

Denver, Colorado's Maui Wowi Hawaiian, the premier destination for authentic Hawaiian products on the mainland, has signed its second master franchise agreement in the EMEA (Europe-Middle East-Africa) region with Takween Commercial Investments. The agreement, covering all of Saudi Arabia, will allow Takween to open fixed Maui Wowi Hawaiian locations, kiosks and carts as well as sell sub-franchises throughout the Middle Eastern region. Takween Commercial Investments approached Maui Wowi Hawaiian after extensive research on the internet. Maui Wowi coffees are truly “a vacation in a cup”. The company's creations consist of gourmet blends from the Kona district of Hawaii as well as blends from the sister islands of Molokai, Kauai and Maui. Some of the highest-quality coffees in the world are found at Maui Wowi, supplied by family-owned farms plus some of the best known of the Hawaiian brands such as Lion and Royal Kona. (Maui Wowi Hawaiian 12.06)

Back to Table of Contents

3.4 Noesis to Build upon OpenEye's Cheminformatics Toolkit OEChem

Santa Fe, New Mexico's OpenEye Scientific Software, the developer of innovative molecular modeling and cheminformatics solutions for drug discovery research, and Cyprus' Noesis ChemoInformatics, a new developer of lead discovery software emphasizing knowledge extraction and management, entered into an agreement to allow the incorporation of OpenEye's OEChem into Noesis' NSISToolkit. OEChem, OpenEye's programming library for chemistry and cheminformatics, will provide functionalities including SMILES parsing, SMARTS compiling, and substructure searching within NSISToolkit, the flagship product from Noesis that supports compound selection, molecular library and de novo design. OpenEye Scientific Software was founded to develop large-scale modeling applications and toolkits. Primarily geared towards drug discovery and design, areas of application include chemical informatics, structure generation, docking, shape comparison, charge & electrostatics and visualization. CNI Noesis ChemoInformatics is a new research informatics company active in the chemoinformatics and general life sciences fields. The company has extensive experience in the R&D of algorithms and computational systems that support human experts in their decision making process. OpenEye 15.06)

Back to Table of Contents

3.5 Samaritan Pharma Receives Pricing Approval in Greece for Rapydan and Launches Novel Product

Las Vegas, Nevada's Samaritan Pharmaceuticals has received pricing approval for Rapydan from the Greek Ministry of Development and is launching the novel rapid-onset anesthetic patch in Greece. Rapydan, a medicated plaster, is manufactured by EUSA Pharma. The easy-to-use plaster works by combining two local anesthetic agents (lidocaine and tetracaine) with a breakthrough CHADD (controlled heat-assisted drug delivery) system and was licensed from ZARS Pharma, Inc. The novel CHADD system combined with the choice of the two local anesthetic agents enables Rapydan's fast onset of action. Rapydan is indicated for surface anesthesia of the normal intact skin in connection with needle puncture in adults and children from 3 years of age; it can also be used in cases of superficial surgical procedures on normal intact skin in adults. EUSA Pharma is a rapidly growing transatlantic specialty pharmaceutical company focused on in-licensing, developing and marketing late-stage oncology, pain control and critical care products. (EUSA18.06)

Back to Table of Contents

3.6 Greece's e-zy.net Opens New Manufacturing and Distribution Center in Utah

Greece's e-zy.net announced the opening of its newest Manufacturing and Distribution Center near Salt Lake City, Utah. The site is located in Draper, Utah, about 30 minutes south of Salt Lake International Airport and downtown Salt Lake City. The new manufacturing and distribution site will manufacture and warehouse the entire e-zy.net product line for rapid shipment of products throughout the USA. e-zy.net designs and manufactures both short and long range high-speed wireless communications products. The company's indoor and outdoor WLAN products are standards-based to ensure interoperability. In addition to a line of standard 802.11 products, e-zy.net also develops customized wireless products to meet specific OEM customer requirements. Headquartered in Veria, Greece, e-zy.net also has offices and warehouse facilities in the USA and representatives worldwide. (e-zy.net 15.06)

Back to Table of Contents

3.7 Greece's Aegean Marine Petroleum to Acquire Canada's ICS Petroleum

Piraeus, Greece's Aegean Marine Petroleum Network, an international marine fuel logistics company that markets and physically supplies refined marine fuel and lubricants to ships in port and at sea, has entered into an agreement to acquire Vancouver-based ICS Petroleum, a leading marketer and physical supplier of marine fuel in Canada and Mexico. The acquisition, which is subject to normal closing conditions, is scheduled to close in July 2008. ICS Petroleum will function as a wholly owned subsidiary of Aegean and will continue to operate business out of its Vancouver and Montreal offices. AMA Capital Partners advised Aegean on this transaction. (AMPN17.06)

Back to Table of Contents

3.8 Crown to Build Beverage Can Plant in Casablanca, Morocco

Philadelphia, Pennsylvania's Crown Holdings announced the construction of a new beverage can plant on its existing food can manufacturing site in Casablanca, Morocco. Operational in late 2009, the plant will produce aluminum beverage cans with an initial capacity of 700 million cans a year. The facility is being designed to accommodate the future installation of additional production lines as market demand grows. This investment is part of the Company's 2009 capital program. The new beverage plant in Casablanca will expand Crown's well-established presence in Morocco. Crown subsidiary Carnaud Maroc S.A. is the market leader for fish and vegetable cans, paint cans and crown closures. Founded more than 70 years ago, Carnaud Maroc operates one large plant in Casablanca, and will open a second plant in Agadir in August of this year. Crown Holdings, through its subsidiaries, is a leading supplier of packaging products to consumer marketing companies around the world. (Crown Holdings12.06)

Back to Table of Contents

3.9 Teradata Announces Sale of New 5550 Platform to Pakistan's Ufone

One of Pakistan's leading GSM (Global System for Mobile communications) service providers, Ufone, has signed an agreement to expand its current data warehouse with state-of-the-art 5550H nodes from Miamisburg, Ohio's Teradata Corporation, the global leader in enterprise data warehousing. The Teradata 5550 provides up to two times the system performance over its predecessors and is specifically designed to provide active data warehousing and real-time business intelligence. The expansion of the data warehouse system will enable Ufone to have a more comprehensive set of analytics that can be used to provide high quality services and offer additional value added services and packages catering to the needs of it customers. (Teradata 19.06)

Back to Table of Contents

3.10 PPD Opens Office in Istanbul, Turkey

Wilmington, North Carolina's PPD announced the opening of an office in Istanbul, Turkey, continuing the company's growth of its Phase II-IV clinical development services in Eastern Europe. PPD will provide clinical monitoring services in key therapeutic areas from this location. The new office strengthens PPD's presence in Eastern Europe beyond Russia and Ukraine, countries where the company is expanding through its pending acquisition of InnoPharm Ltd. Eastern Europe is an important, high-growth market for clinical trials and a region PPD has targeted for expansion. PPD is a leading global contract research organization providing discovery, development and post-approval services as well as compound partnering programs. Their clients and partners include pharmaceutical, biotechnology, medical device, academic and government organizations. (PPD19.06)

Back to Table of Contents

3.11 PokerTek Announces PokerPro Contracts Across Bulgaria

Matthews, North Carolina's PokerTek, the industry pioneer and worldwide leader in automated poker tables and related software, announced that its global distribution partner, Aristocrat Technologies Europe Limited, has executed a series of contracts for PokerPro tables in Bulgaria. The contracts cover 23 tables that are currently installed and several more that are planned for installation in the coming months. One of the Bulgarian operators installing PokerPro tables is Bulgame (part of Casino Solutions Ltd.) at their Casino Caesars and Casino Buddha venues. Another operator rolling PokerPro tables into its property is Bar Game Ltd., one of the biggest casino operators in Bulgaria, with 15 years of experience in the gaming business. The company runs two of the most popular casino chains in Bulgaria, Eldorado Casino and Palms Casino, and more than 40 other casino clubs across the country. PokerTek develops and markets PokerPro and PokerPro Heads-Up, automated poker tables and related software applications developed to increase casino revenue, reduce expenses and attract new players into poker rooms. (PokerTek 19.06)

Back to Table of Contents

4: ISRAEL MACRO-DEVELOPMENTS

4.1 European Union Upgrades Its Relations With Israel

The EU-Israel Association Council – the body, headed by foreign ministers, which conducts the bilateral relations between Israel and European Union member states –announced an upgrade in the relations between Israel and the EU. The announcement was made at a meeting in Luxembourg, attended by Israeli Minister of Foreign Affairs Livni and EU foreign ministers. More than a year ago, FM Livni attended a meeting of the Association Council and initiated the upgrading process between Israel and the EU in recognition of Israel's upcoming 60th birthday. At the meeting, a working group was set up to examine the Israeli foreign minister's proposal and to determine the existing and new areas in which cooperation between Israel and the EU would be enhanced. As a result, accelerated negotiations between Israel and the EU will begin, headed by the French Presidency, on the specific content of some of the basic agreements that were formulated today. These are areas that have the potential for close cooperation between the Israeli and European public: the economy, science, trade, the environment, culture, academia and higher education, jurisprudence, and youth, among others. Israeli-EU relations will be upgraded in three areas: increased diplomatic cooperation; Israel's participation in European plans and agencies; and examination of possible Israeli integration into the European single market.

Israel will join European agencies, programs and working groups. This will mean bringing the Israeli economy and society closer to European norms and standards, and increasing the competitiveness of Israeli companies in the European market, primarily in the field of high-tech, with the signing of an aviation agreement that will lower prices for both sides, and others. Israel's integration into the European single market – A joint working group will examine the areas in which Israel is capable of integrating into the European single market. This will lay the groundwork for an additional upgrading of relations in the future. In the past year a number of important agreements have been reached, including: an upgrade in the diplomatic-strategic dialogue between Israel and the EU; Israel's joining the R & D program of the EU; and an additional liberalization in the field of agriculture. A framework agreement was signed for Israel to enter EU programs, and an aviation agreement is ready for signing. Also, a high-level business dialogue has been established between Israeli and European business communities. Negotiations on free trade in financial services are also about to begin. (MFA16.06)

Back to Table of Contents

4.2 Environmentalists Unite Against Red-Dead Canal

Environmental action groups have declared war on the intentions of Israeli President Peres and Delek Group controlling shareholder Tshuva to promote the Red-Dead canal plan through fast track legislation designed to bypass the Planning and Building Law (1965). The Society for the Protection of Nature in Israel, The Friends of the Earth Middle East, The Israel Union For Environmental Defense, Green Course - Students for the Environment , Life & Environment and Zalul have announced the setting up of a coalition whose goal is to stop the project from going forward, unless it is introduced under the framework of existing legislation, and is subjected to a thorough public debate. Tshuva's venture, which has been described as "Las Vegas in the Arava", includes the excavating of a series of lakes between the Red Sea and the Dead Sea, the building of 200,000 hotel rooms (four times the total number of hotel rooms in Israel today), and the creation of one million jobs. The idea for a canal is not new, and it was first mentioned in a plan envisioned by Theodor Herzl. The plan conceived then called for the building of an aqueduct to produce energy between the Mediterranean Sea and the Dead Sea. As a result of the fall in the level of the Dead Sea in recent years and the development of sink holes, a number of proposals for rehabilitating the sea have been made, including the plan that Peres has been promoting, to dig a canal from the Red Sea to the Dead Sea. The plan has been bitterly criticized by environmental groups and researchers who claim that the mixing of Red Sea and Dead Sea water could turn the waters of the Dead Sea into gypsum. The environmental coalition says it is demanding that the program's backers and developers look at the various alternatives before reaching a decision. They have called for an examination of, among other things, the impact the plan could have on the Gulf of Eilat, the Arava Valley and the Dead Sea, given that a project of this size could pose a serious risk to the entire region. (Globes 16.06)

Back to Table of Contents

4.3 Inventure Chemical & Seambiotic to Build Commercial Algae Biofuel Plant in Israel

Seattle, Washington's Inventure Chemical has entered into a joint venture with Seambiotic (based in Tel Aviv, Israel) to construct a pilot commercial biofuel plant in Israel, using algae created from CO2 emissions as feedstock. The plant will utilize high-yield oil-rich algae strains that Seambiotic has developed and grown in its open pond system coupled with Inventure's patent-pending conversion processes to produce ethanol, biodiesel and other value-added chemicals. Seambiotic has been extremely successful in its algae-based CO2 sequestering project with Israeli Electric Corporation, which proves the viability of their model. Seambiotic's joint venture with Inventure will illustrate not only the technological capabilities of their combined processes, but also the validity of the CO2 to algae to biofuel model as a means for coal-fired power generators to meet CO2 reduction mandates. The biofuel that's created from algae can be used in the power generator's operations, or sold on the open market to create a new revenue stream. Either way, this model can pay for the infrastructure necessary to put in place."

Seambiotic (http://www.seambiotic.com) was founded in 2003 to grow and process marine microalgae using a revolutionary ecologically based environmental system. Seambiotic's technology and unique know-how can be profitably exploited in two major areas: Biofuel and Omega 3 Oil. For the last five years, the company has carried out an extensive R&D pilot study at the Israeli Electric Corporation's power station near the city Ashkelon, Israel. Throughout the study, new and advanced research methods have been developed for cultivation of various species of marine microalgae using the power station's CO2 emissions released directly from their smokestacks and which pass through pipelines directly to Seambiotic's open ponds. (Inventure 18.06)

Back to Table of Contents

5: ARAB STATE & PAKISTANI DEVELOPMENTS

5.1 Jeddah Meeting Calls for Steps to Restore Oil Market Stability

Major oil producing and consuming countries met in Jeddah, Saudi Arabia, on 22 June to identify the causes of the recent oil price increases and suggest policies to improve oil market stability. Highlighting the detrimental impact of current oil price levels and volatility on the global economy, the meeting concluded with an urgent call for concerted policy efforts to improve the functioning of the oil market. Participants agreed that restoring oil market stability requires concerted moves to implement a broad set of policy measures, including increased oil investment, strengthened pass-through of price signals to end-users, and improved oil market data. The Saudi Arabian government announced at the meeting that the country stood ready to increase oil production beyond the 0.5 million barrels a day (mbd) rise already planned for July for the remainder of the year. Its oil production capacity will reach 12.5 mbd by end-2009, with ready plans for further expansion to 15 mbd if warranted by demand developments. In addition, Saudi Arabia will provide a total of $1.5 billion to help the poorest countries cope with higher oil and food prices.

There was widespread recognition of the essential role that underlying oil demand and supply fundamentals have played in the recent oil price surge. Slow growth of new capacity and continued strong demand in emerging economies have led to declining spare capacity and tight market conditions. In contrast, the role of financial commodity investment and financial speculation remained a point of discord at the meeting. Besides strengthening the role of price signals in oil markets, improving oil market data was widely recognized as another policy priority. In addition to timely and adequate global data on oil demand, production, and inventories, participants also emphasized the importance of data on upstream and downstream capacity, on expansion plans, and on proven reserves. Only with such data could oil markets assess current and future production trends. A follow-up conference hosted by the UK will assess the progress on the policy agenda before the end of 2008. (IMF23.06)

Back to Table of Contents

5.2 Jordan & Iraq Agree to Extend Work with Oil Agreement For 3 Years

On 12 June, Jordanian Prime Minister Dhahabi declared that Jordan and Iraq had decided to extend the validity of the oil agreement for three years with same conditions, under which Jordan can import Iraqi oil in preferential prices. In a joint press conference with his Iraqi counterpart Nuri Al Maliki, the Jordanian Premier said under the oil agreement, which was signed by the two countries in 2007 and will expire in August 2008, will be extended for three years. The bilateral talks touched upon several issues, one of them providing Jordan with oil, the conditions of Iraqis residing in Jordan, economic cooperation, opening the Iraqi market for Jordanian goods and Jordanian-Iraqi debt, pointing out that there were positive results in various dossiers and that the meeting was successful by all standards. Maliki added that the talks dealt with important issues between the two countries, pointing out that the talk about the economic side was not useful for a particularly country but rather it is for the beneficial of all countries. He stressed that Iraq desires and aspires to establish such relations, especially in the field of oil, stressing that Iraq wants to meet the need and desire of Jordan in this area. (Petra12.06)

Back to Table of Contents

5.3 Persian Gulf to Earn $1.3 Trillion From Oil in 2 Years

The oil-rich Persian Gulf states are projected to earn close to $1.3 trillion in oil revenue in 2008 and 2009, a Kuwaiti economic report said on 21 June. The six GCC states earned $364b from oil in 2007, the Al-Shall Economic Consultants said. GCC oil revenues are projected to reach $636b in 2008 and $657b in 2009, Al-Shall said. Oil powerhouse Saudi Arabia's earnings in the two years will be just under $700b. The kingdom posted $194b in oil revenues in 2007. The six states, which boast just less than half of the world's crude proven reserves, produce around 16 million barrels per day (bpd), or just under one-fifth of the world's consumption. (AFP21.06)

Back to Table of Contents

5.4 Persian Gulf Monetary Union Deal Virtually Finalized

Persian Gulf central bankers "more or less" finalized a monetary union deal that will be presented to finance ministers in September, according to the UAE central bank governor. The draft agreement that will pave the way for Saudi Arabia and four of its neighbors to launch a single currency is "more or less final, except for some typing errors", Sultan Nasser

Al Suwaidi told reporters. Central bankers agreed at the meeting to create the nucleus of a joint central bank - a monetary council - next year but signaled that a new common currency would not be in circulation by an agreed 2010 target. Al Suwaidi declined to comment on whether Gulf states would be able to meet a 2010 deadline for circulating the single currency. He warned earlier that skyrocketing prices had led to disagreements about the launch. Qatar Central Bank Governor Shaikh Abdullah bin Saud Al Thani said "2010 will be the date for the creation of a monetary council or a monetary authority for the Gulf Cooperation Council countries." Central bankers and finance ministers would hold a joint meeting in Jeddah, Saudi Arabia, in September, to take a final look at the deal. Gulf rulers are expected to sign the agreement at their meeting in November. Gulf states this year gave a renewed push toward achieving a monetary union in the face of mounting pressure on their dollar-pegged currencies as investors bet one or more Gulf states could revalue to help fight record inflation. Al Suwaidi once again reiterated the UAE's commitment to maintaining its dirham's peg to the dollar at the same rate. (Various13.06)

Back to Table of Contents

5.5 Productivity Declines in Persian Gulf's Non-Oil Sector

Productivity outside the oil and gas sectors has decreased across the Persian Gulf during the petrodollar windfalls this decade, threatening sustainable economic growth, research reveals. Soaring oil prices have sparked average growth of 5.1% since 2000, but the oil boom has only triggered employment growth at the expense of productivity, with the amount of output per hours worked outside the hydrocarbons sector falling by 0.2%. This is stated by a report by the Conference Group, a business research organization, and the Gulf Investment Corporation. The report says the region needs to modernize labor markets to tackle poor productivity, which it describes as the "ultimate source of sustainable growth". The public sector, where most nationals work, is better paid than the more productive private sector, which is at risk of losing talent because of its lower wages.

The Gulf states lag behind developed economies in productivity and trail far behind emerging market giants, with output per hours worked, including the oil and gas sectors, rising by only one% a year since 2000 in the six-member Gulf Co-operation Council, compared with 1.5% in Europe, 5% in India and 10.5% in China. Some regional states are improving faster than others: those with modest oil reserves, such as Bahrain at 5% and Oman at 4%, are outpacing more resource-dependent states. The report says manufacturing and finance are two non-oil sectors that show signs of competitiveness on the global stage. Unit labor costs in manufacturing, for example, compare favorably with central Europe and Mexico, while banking productivity is on a par with that of East Asian banks. The lack of skilled workers in the region is the main threat to longer-term economic development, with operational and labor market inefficiencies offsetting technological gains.

Labor market segmentation, in which nationals largely work in the public sector and expatriates in the private sector, is "seriously affecting" the flow of the most productive resources into the most productive areas of the economy. Moreover, the region's two million skilled expatriates, who make up less than one-fifth of the expatriate labor force, are mobile and attractive to other markets. In China, skilled workers received pay rises of seven to nine% in 2007; in India the rise was six to seven%. In contrast, Saudi Arabia's wages for the same workers rose 4%. Inflation-hit UAE saw highly skilled workers' real wages decline 2%. (FT13.06)

Back to Table of Contents

5.6 Abu Dhabi Inflation Reaches 11.5%

Inflation in Abu Dhabi soared to 11.5% during the first quarter on the back of increased state spending and "unacceptable" rises in the price of basic goods, rents and raw materials, the Abu Dhabi Department of Planning and Economy (DPE) announced on 14 June. The DPE said that inflation in the UAE capital stood at 10.9% at the end of 2007. Inflation in 2006 was 8.3%,. The DPE said there was "consensus" that the soaring rental costs were the main driver behind inflation in Abu Dhabi, and were also having a knock-on effect on all sectors - driving up the cost of other goods and services. Rents in the UAE capital soared 17% in Q1/08, compared to the year-earlier period. They are expected to rise up to a further 45% by the end of 2009. Rent and rent-related expenditures comprise 45% of total expenditures of a consumer in the emirate, with low- and middle-income people spending 50% of their salary on accommodation. The DPE also highlighted the cost of fuel - diesel went up by 52% in the past four months - and the dirham's link to the ailing US dollar as contributing to inflation. The dirham's dollar peg was pushing up the cost of imports from places such as Europe, the DPE said. The UAE fixes its currency's exchange rates to the dollar, which restricts the central bank's ability to fight inflation by forcing it to mirror US monetary policy in order to maintain the relative attractiveness of the dirham. (AB14.06)

Back to Table of Contents

5.7 Oman Inflation Rockets To 12.4%

Inflation in Oman accelerated to a record 12.4% in April as soaring global food prices and rents intensify price pressures across the world's biggest oil-exporting region. Food, beverage and tobacco costs - which account for almost a third of the consumer price index - jumped 21.6% in the year to April 30, the Omani Ministry of National Economy announced on 16 June. Rents also underpinned the index's 11th straight monthly rise, surging 16.2% in April. Oman's consumer price index hit 122.1 points on April 30 compared with 108.6 points a year earlier, the data showed. Prices rose 1.2% over March. Inflation is accelerating across the Gulf Arab region, where most countries, including Oman, peg their currencies to the ailing dollar, which is driving up import costs. But currency weakness is only part of the problem, accounting for about a fifth of inflation guided largely by high global commodity prices. Prices for cereals jumped 36.7% and milk and milk products 30.4% in April, the data showed. (Various16.06)

Back to Table of Contents

5.8 Egyptian Budget Suffers From Persistent Deficits and Weak Investments

The Egyptian budget for 2008/2009, which goes into effect on 1 July will be characterized by the largest deficit as a ratio of GDP in the Arab world, second only to Lebanon. The budget will cover total expenditures of $70.8b and total revenues of $53.86b, generating a deficit of $17b, or 9% of GDP. The major items of expenditures are 36% for social services; 21% for government employees and 20% of interest payment on national debt. This leaves 24% of total expenditures for policy makers to work with. The key item of expenditure is $18b which the government will use to subsidize the price of gasoline and natural gas for consumers and another $4b to support the price of bread, cooking oil, sugar and, most recently, rice. The government also supports the cost of housing and electricity to families with limited income, medicines and dairy products for children and health insurance for students.

The second key item of expenditure is the $14b earmarked for salaries to 5.3 million government employees in addition to 600,000 employees in government-owned companies. It means an average of 12 employees for every Egyptian. It is a common phenomenon in Egypt that many employees collect salaries while staying at home for two reasons: first, there is no office space to accommodate them; and second; there is no need for their services. The third key item is an interest payment of $14b, divided between $10b for interest payments to domestic loans and $4b to service foreign debt. Total domestic debt in 2007 was $125b or 79% of GDP while foreign debt amounted to $33b, or 21% of GDP. Both types of debt bring the total ratio of debt to GDP to 101%.

The $5b allocated for investment are used primarily for construction of buildings, study missions overseas and little for infrastructure in irrigation and land reclamation despite the current food crisis. In terms of revenues, the government will collect $54b in taxes, or 58% of revenues, followed by 36% of surpluses from government owned business. The Suez Canal is no doubt the biggest source of revenues in this category, and the remaining 6% from foreign grants and the proceeds from privatization. The Central Office of Accounting insists, however, that the budget deficit is far larger than the figures provided by the government. For example, the government refuses to acknowledge an additional payment of $4b annually on domestic and foreign loans. (al-Sharq19.06)

Back to Table of Contents

5.9 Libya Sees Inflation Fall to 6% in 2008

Libya expects annual inflation to fall to 6% by the end of this year from 11% in Q1/08, according to the Central Bank of Libya's research and statistics department. Almost 65% of Libya's inflation is imported. Food prices were the main factor feeding a rise in inflation since 2007 as Libya, an Opec member, imports most of its food needs. Inflation appeared clearly in 2007 to reach an average of 6.7%. Inflation jumped to more than 10% in the fourth quarter of 2007. That inflation rising trend continued in the first quarter of 2008 to reach 11%. Inflation was 1.5% and 1.6% respectively in 2005 and 2006 as the economy struggled to emerge from recession. (Reuters16.06)

Back to Table of Contents

5.10 Pakistan's B2 Government Bond Ratings Reflect Widening Deficits

According to a new report from Moody's Investors Service (http://www.moodys.com), sharply widening deficits in Pakistan's fiscal and current accounts are reversing a multi-year trend of fiscal consolidation and debt reduction. Concurrently, renewed political discord is unlikely to provide the stable and orthodox policy framework necessary for quickly limiting these macroeconomic imbalances. The report also highlights growing reliance by the government on short-term central bank financing of budgetary operations which has heightened inflationary pressures. "These have resulted in a deterioration of important credit-metrics, which led to the downgrade of Pakistan's sovereign bond ratings from B1 to B2 in May 2008," said Aninda Mitra, a Moody's VP / Senior Analyst and author of the report. "Despite the strong investment-driven economic growth of recent years, Pakistan's economic base is narrow and somewhat prone to macroeconomic instability" said Mitra. "These vulnerabilities are compounded by the government's stagnant tax base that weighs on the country's low national savings and hinders domestic financing of the sizable budget deficits," he added.

Other serious problems highlighted by the report as reasons for the sovereign bond rating downgrade to B2 are Pakistan's weak governance, embedded political tensions and weaknesses in the rule of law. "These factors have weakened the scope for strengthening institutions and sustaining policy adjustments, while also heightening the risks of sudden shifts in private investor confidence," notes Mitra. Mr. Mitra drew attention to Pakistan's investment friendly policy regime and large inflows of foreign direct investment as well as remittances from overseas Pakistani workers. However, he also noted these inflows were not strong enough to offset weak export performance or adequately finance the widening trend in the current account deficit. The report also notes that the stable outlook on Pakistan's B2-rated government bonds reflects the structure of government debt which largely consists of long-tenor credits from official bilateral and multilateral creditors, which adds stability and reduces rollover risks. Additionally, the prospect of external assistance from bilateral donors and multilateral institutions is expected to provide some degree of balance of payment and budget support. Further sustained macroeconomic adjustments, however, are still needed to shore up credit fundamentals and ease pressure on the State Bank of Pakistan (SBP), the country's central bank, the report notes. (Moody's 13.06)

Back to Table of Contents

6: TURKISH, CYPRIOT, GREEK & BULGARIAN DEVELOPMENTS

6.1 FDI Inflow to Turkey Sees Sharp Decline

Foreign direct investment (FDI) inflow to Turkey amounted to $799 million in April, the Treasury said on 17 June, of which $292 million went to the manufacturing sector. According to the Treasury's International Direct Investment Data Bulletin, in terms of origin, EU funds constituted the largest source of FDI, at $430 million. With $225 million, the Netherlands is the leading country for FDI inflow to Turkey. Asia comes second after the EU with $211 million. FDI inflow in the January through April period dropped by 50% compared the same period last year. While it stood at $8.85 billion in the first four months of 2007, FDI inflow dropped to $4.37 billion in the same period of 2008. Total FDI last year amounted to almost $22 billion. (Various18.06)

Back to Table of Contents

6.2 Cyprus Tourism Drop

Tourism arrivals to Cyprus dropped by 3% in May from the same period a year earlier as British visitor numbers fell sharply, the statistics department said on 17 June. Total arrivals in the month stood at 271,559, down from 273,058 visitors in May 2007. During the first five months of the year, total tourism arrivals reached 682,614 people, up just 0.1% from 681,632 in the corresponding period last year. In May, the island saw a 10% drop in tourist arrivals from one of its main markets, Britain, to 140,669 from 156,515 in May 2007. (Reuters18.06)

Back to Table of Contents

6.3 Bulgaria Unemployment Rate Drops To 6.1%

Bulgaria's jobless rate dropped to 6.19% in May from 6.5% the previous month due to increased demand for seasonal workers, the Labor Ministry said on 17 June. The unemployment rate was 7.8% in May 2007. The Labor Ministry said 229,133 were without jobs in May, down by 60,620 people from the same period of previous year. (Sofinet18.06)

Back to Table of Contents

6.4 US Investments in Bulgaria Reach Well Over $1 Billion

The US rank higher and higher in the list of countries with most investments in Bulgaria, totaling over $1b for 2007, according to American Chamber of Commerce of Bulgaria. In addition, the $1b does not include all investments such as the purchase of the Bulgarian Telecommunication Company (BTC) by AG Capital Partners, a deal worth over €1b itself. If all investments, outside the official data were to be included, the US would move 2 to 3 ranks ahead in the list of countries investing in Bulgaria. The American Chamber of Commerce is hoping that more and more small and medium US businesses would become interested in Bulgaria since those companies are the backbone of the US economy and Bulgarian small and medium businesses would benefit from collaborating with them. The finance crisis in the US, on the other hand-side, had created opportunities for Bulgarian investments in the US with some Bulgarian companies seriously considering those opportunities. (Sofinet17.06)

Back to Table of Contents

7: GENERAL NEWS AND INTEREST

*ISRAEL:

7.1 Record Number of Israeli Students Accepted At Wharton

The US-Israel Educational Foundation (USIEF) (the Fulbright Program) reports that 110 Israeli students will begin MBA studies in the US in the upcoming academic year. Globes reported that 21 Israelis have been accepted by the University of Pennsylvania Wharton Business School, a record number. Wharton is considered the top business school in the US, and accepts 800 students a year for its MBA program. The University of Chicago accepted 14 Israeli students for its MBA program, the second largest number. In third place is the Massachusetts Institute of Technology's MBA program, which accepted 10 Israelis. The USIEF collates figures for the number of Israeli students accepted by US universities. This is the third consecutive year in which more than 100 Israeli students have been accepted to MBA programs. Before that, the number ranged between 60 and 70." The USIEF added that the average GMAT score achieved by Israeli students was 700. Only 7% of students world wide taking the GMAT score 700 points. In Israel, 15-25% of those taking the test score 700. Globes 18.06)

Back to Table of Contents

*REGIONAL:

7.2 Emaar to Increase Burj Dubai Height

Burj Dubai, the world's tallest building being developed by Emaar Properties, will be taller than previously envisaged, with height enhancement work already in progress. Construction of the two communication floors is ongoing and structural steel work has started. The final height of Burj Dubai will be revealed only on its completion in September 2009. Alongside height enhancement, Burj Dubai is also upgrading its interior finishes. International designers from California had been revisiting the designs to make the residences more attractive and functionally superior. The redesign process, undertaken over the past three months, has been completed, with the emphasis on top-notch quality standards, it said. Burj Dubai, at over 636 meters (2,036.6 ft), is already the world's tallest building and structure. Currently at 160 stories, the tower also has the largest number of floors in any building. Burj Dubai has surpassed the height of the KVLY-TV mast in North Dakota, USA - 628.8 meters (2,063 ft) and taller than Taipei 101 (508 meters; 1667 ft) in Taiwan and CN Tower (553.33 meters; 1815.5 ft) in Toronto, Canada. Burj Dubai anchors Emaar's flagship mega-project, the $20 billion Downtown Burj Dubai. (TradeArabia 17.06)

Back to Table of Contents

8: ISRAEL LIFE SCIENCE NEWS

8.1 IOPtima Completes Initial Clinical Study for Glaucoma Using Novel Laser-Based Therapy

IOPtima has successfully completed the 3 month follow-up period for an initial human clinical study using the company's OT134 device and procedure. The novel, laser-based therapy enables eye surgeons to operate and reduce internal eye pressure without penetrating the eye membrane. In the course of the study 13 patients were treated at a leading glaucoma center in Mexico City, under the supervision of Professor Felix Gil Carrasco, a prominent eye surgeon. IOPtima intends to further monitor the patients for at least one year. The study is the first leg in a multi-national clinical trial at leading ophthalmology centers around the world aimed at obtaining regulatory approval for Europe. In addition, IOPtima plans to meet with the FDA in the near future in order to initiate procedures aimed at US regulatory approval.

Ramat Gan, Israel's IOPtima Ltd. (formerly Optotech) focuses on the discovery, development and commercialization of innovative and proprietary technologies for the treatment of glaucoma – a common eye disease that leads to loss of sight. The company has developed an innovative non-penetrating, easy-to-use system, based on CO2 laser technology, for the treatment of glaucoma. IOPtima believes that its innovative new OT134 system will offer significant advantages over traditional therapies for glaucoma, such as simplicity, higher efficacy, lower risks to the patient, fewer side effects and lower costs. The availability of a safe surgical procedure is expected to increase the number of surgical interventions. IOPtima holds a U.S. patent on the basic concept of the technology that it has developed for the treatment of glaucoma, and has filed requests for patent registration in additional countries. IOPtima is a subsidiary of Bio-Light Life Science Investments (http://www.bio-light.co.il), a management and holding company specializing in biomedical technologies. (Bio-Light 12.06)

Back to Table of Contents

8.2 UltraShape Study for Non-Invasive Fat Reduction Non-Thermal Selective Focused Ultrasound Device

UltraShape began its pivotal IDE (Investigational Device Exemption) study to evaluate Contour Plus, the first non-invasive device for fat reduction and body contouring using non-thermal selective focused ultrasound. The next generation Contour Plus is based on the Contour I platform, which is available outside the U.S. and has been shown in pre-clinical and clinical studies to target and selectively break down fat cells, leaving surrounding critical structures such as skin, blood vessels, nerves and connective tissue intact. Contour Plus incorporates advanced technology to reduce treatment time and is intended to provide a non-invasive, fat reduction and body contouring solution for both men and women.

The UltraShape Contour Plus system is based on the Contour I platform and incorporates patented focused ultrasound technology. Contour I, which is authorized for marketing outside the U.S., is the first non-invasive fat reduction and body contouring device for both men and women. The device is designed to produce mechanical, non-thermal, acoustic effects which target and selectively disrupt fat cells, leaving surrounding critical structures such as skin, blood vessels, nerves, and connective tissue intact. The UltraShape procedure is guided by proprietary real-time tracking and guidance technology designed to deliver smooth, uniform body contouring results. The software provides a pre-determined treatment algorithm designed to minimize risk of contour irregularities, a common side effect of liposuction. The UltraShape procedure is performed during a convenient, “walk-in, walk-out” session carried out in an office-based environment; it requires no anesthesia or sedation. After treatment, patients immediately resume their daily routines with no need for maintenance treatments. Yokneam, Israel's UltraShape (http://www.ultrashape.com) is redefining aesthetic medicine by developing, manufacturing and marketing innovative non-invasive technologies for body contouring. The company is dedicated to providing clinically proven safe and effective solutions that enhance the lives of patients worldwide. (UltraShape 12.06)

Back to Table of Contents

8.3 BioLineRx Initiates Phase 2b Clinical Trials for the Treatment of Schizophrenia

BioLineRx announced the initiation of a Phase 2b clinical trial to assess the efficacy, safety and tolerability of BL-1020, a GABA-enhanced antipsychotic for the treatment of schizophrenia. In this six-week, double-blind, parallel group study, patients will be randomized to one of four arms, receiving a low dose or high dose of BL-1020; risperidone, an approved atypical schizophrenia drug; or placebo. BL-1020 is an orally available GABA-enhanced antipsychotic clinical candidate for the treatment of schizophrenia. In three clinical trials to date, BL-1020 has consistently demonstrated efficacy without compliance-limiting metabolic or motor side effects. In a recently completed Phase 2a study on schizophrenic patients BL-1020 demonstrated statistically significant efficacy with a high safety and tolerability profile. BL-1020 demonstrated statistically significant improvements in multiple efficacy scales including the Positive and Negative Syndrome Scale

(PANSS) and Clinical Global Impression of Severity and Improvement (CGI-S; CGI-I). BL-1020 has shown improved safety in that there were no clinical notable changes in body weight and no increase in extrapyramidal (motor) symptoms. In addition, the trial's low drop out rate reflects a high level of tolerability. BL-1020 is being developed by BioLineRx under a worldwide exclusive license from Ramot at Tel Aviv University and Bar-Ilan Research & Development Company, the technology transfer arms of Tel Aviv University and Bar-Ilan University respectively.

Jerusalem, Israel's BioLineRx (http://www.biolinerx.com) is dedicated to building a robust pipeline of promising therapeutics for unmet medical needs. The Company's leading programs are BL-1020 for the treatment of schizophrenia, which has begun a Phase 2b trial, and BL-1040 for the treatment of damaged heart tissue post-myocardial infarction, which is undergoing a Phase 1/2 study. (BioLineRx 12.06)

Back to Table of Contents

8.4 Teva Announces Tentative Approval of Generic Diovan Tablets

Teva Pharmaceutical Industries announced that the U.S. FDA has granted tentative approval for the Company's Abbreviated New Drug Application (ANDA) to market its generic version of Novartis' hypertension treatment Diovan (Valsartan) Tablets, 40 mg, 80 mg, 160 mg and 320 mg. Final approval of this product is expected upon expiry of patent protection for the brand product in September 2012, as well as any periods of marketing exclusivity that may be awarded. Teva Pharmaceutical Industries (http://www.tevapharm.com), headquartered in Israel, is among the top 20 pharmaceutical companies in the world and is the world's leading generic pharmaceutical company. The Company develops, manufactures and markets generic and innovative human pharmaceuticals and active pharmaceutical ingredients, as well as animal health pharmaceutical products. (Teva12.06)

Back to Table of Contents

8.5 Teva's AZILECT 1 mg Tablets Meet End Points in ADAGIO Phase III Trial

Teva Pharmaceutical Industries announced the successful completion of ADAGIO, the phase III study designed to demonstrate that AZILECT 1 mg tablets can slow down the progression of Parkinson's disease. In the trial, the currently marketed AZILECT 1 mg tablets met all three primary end points, as well as the secondary and additional end points, all with statistical significance. The study also confirmed the safety and tolerability of AZILECT. Teva intends to submit these results to the regulatory authorities in the U.S. and Europe. Based on these results, AZILECT could become the first Parkinson's disease treatment to receive a label for disease modification. The study protocol was based on the recommendations and guidance of the U.S. FDA. The 18-month study, the first of its kind, is one of the largest conducted in Parkinson's disease, involving 1,176 patients with early Parkinson's disease in 14 countries and 129 medical centers.

AZILECT 1 mg tablets (rasagiline tablets) are indicated for the treatment of the signs and symptoms of Parkinson's disease both as initial therapy alone and to be added to levodopa later in the disease. AZILECT 1 mg tablets are currently available in 30 countries, including the US, Canada, Israel, Mexico, and most of the EU countries. Teva

Pharmaceutical Industries (http://www.tevapharm.com), headquartered in Israel, is among the top 20 pharmaceutical companies in the world and is the world's leading generic pharmaceutical company. The Company develops, manufactures and markets generic and innovative human pharmaceuticals and active pharmaceutical ingredients, as well as animal health pharmaceutical products. (Teva15.06)

Back to Table of Contents

8.6 Kamada Announces Successful Interim Results of Phase II Deposition Study with Aerosolized AAT

Kamada announced successful interim results in a Phase II deposition study with its Aerosolized AAT product delivered by PARI's optimized eFlow electronic nebulizer to treat Alpha-1 Deficiency and other respiratory diseases. This next generation product, Aerosolized AAT, holds numerous advantages over the currently used AAT for intravenous administration. Among these advantages are greater patient convenience, reduced treatment costs, larger treatment population and additional potential indications, all pending successful completion of the company's clinical development plan. Kamada's aerosolized AAT drug was designated by both the US FDA and the European Agency for the Evaluation of Medicinal Products (EMEA) as an Orphan Drug for Congenital Emphysema and CF as well as for Bronchiectasis by the US-FDA. This important attribute will allow the company research funds benefits, waiver of user fees and free scientific advice by the regulatory authorities. Furthermore, if Kamada is the first company to successfully complete clinical trials and receive marketing approval in the US or the EU, the company shall gain exclusive marketing rights for the duration of seven years in the US, and for 10 or 12 years in Europe. Weizmann Science Park, Ness Ziona, Israel's Kamada (http://www.kamada.com) is a public biopharmaceutical company developing, producing and marketing a line of specialty life-saving therapeutics using its proprietary chromatographic purification technologies. Licensed and marketed in more than 15 countries, several of these specialty therapeutics hold registered and pending patents and are currently in advanced clinical trials. (Kamada 22.06)

Back to Table of Contents

9: ISRAEL PRODUCT & TECHNOLOGY NEWS

9.1 Chip PC Revolutionary Line-up for Desktop Virtualization To Be Unveiled

Chip PC Technologies will be introducing its Desktop Virtualization solutions supporting the Citrix XenDesktop delivery solution alongside with its new class of Desktop Appliances. Delivering the most innovative family of desktop replacement products, Chip PC supports the XenDesktop virtualization standard via its complete line of hardware and software solutions, providing seamless integration into desktop virtualization environments as well as traditional server-based computing environments. Simple, efficient, scalable and flexible - Chip PC ushers in a new era that will take the virtual desktop beyond the familiar desktop experience to the superior! Chip PC's flexible products are an out of the box solution for mixed computing environments, including both virtual desktops suitable for knowledge workers and traditional thin clients historically targeted at fixed function application delivery requirements or task-based workers. A single, policy-based management console enables on the fly allocation of desktops for users offering a single sign-on and seamless integration and migration between various computing environments. Chip PC's integrated management shadowing capabilities via the Session Desk Manager enable central monitoring and allocation of Virtual Desktops, ICA and RDP connections to users.

Driving innovation into reality, Tirat Carmel, Israel's Chip PC (http://www.chippc.com) develops and manufactures advanced thin computing solutions at the forefront of server-centric and virtualization technologies including centralized management, top security and miniature green-technology desktop devices. Chip PC and its network of value-added partners combine to deliver the most secure, scalable and performance-rich solutions in the thin computing marketplace. (Chip PC12.06)

Back to Table of Contents

9.2 INFINITT North America Selects NextNine's Support Automation Platform

NextNine announced that INFINITT North America, a developer of medical imaging software, is leveraging NextNine's award-winning Support Automation platform to enhance support mechanisms for its RIS/PACS/3D applications. INFINITT's Omni ITS system, powered by NextNine, enables INFINITT to monitor the customer's system performance 24X7 both remotely and in real time. When the system detects the start of a problem, it will automatically diagnose the issue and collect the data necessary to minimize resolution time. Omni ITS can also undertake self-healing wherein recurring issues can be identified and fixed automatically without human intervention. For PACS and RIS applications, increased service levels translate into superior patient care. At the core of NextNine's software is its patented Virtual Support Engineer (VSE), a small footprint Java software which functions as an automated on-site support engineer for all support communications, data collection, remote diagnostics, problem resolution and ongoing maintenance. Tel Aviv, Israel's NextNine (http://www.NextNine.com) is a global provider of support automation solutions. Its patented, award-winning Virtual Support Engineer allows technology vendors to proactively monitor and service their products at the customer site and automate the discovery, diagnosis and resolution of problems before the customer is disrupted. (NextNine12.06)

Back to Table of Contents

9.3 ECI Telecom Broadens Capabilities of XDM Platform for Optical Networks

ECI Telecom announced several new key optical capabilities for its XDM optical networking platform in line with the 1Net framework as announced earlier this year. By introducing a new 2-degree (2D) ROADM, ECI brings end-to-end flexibility to carrier networks, reducing overall costs by eliminating back-to-back regeneration and enabling carriers to increase revenues by significantly improving response time for deployment of new services. The new 2D ROADM was cost-efficiently designed for metro-core and metro-edge segments, and complements ECI's leading best-of-breed multi-degree WSS ROADM. The new ROADM is optimal for sites with lower degree needs, or requiring full add/drop capability. An additional feature introduced today is the multi-service, multi-rate ADM-on-Card (AoC). The AoC is a next-generation optical service card, combining the cost-efficiency of an optical platform with the granularity and flexibility previously available in SDH/SONET networks. The AoC leverages the high-capacity and scalability of the OTN layer and the advantages of SDH/SONET-like networks, without an actual SONET/SDH matrix. ECI's AoC offers the industry's highest density on a single card. Among its many benefits, the AOC is particularly optimized for video applications, featuring multicast drop-and-continue capabilities. Petah Tikva, Israel's ECI Telecom (http://www.ecitele.com) delivers innovative communications platforms to carriers and service providers worldwide. ECI provides efficient platforms and solutions that enable customers to rapidly deploy cost-effective, revenue-generating services. (ECI16.06)

Back to Table of Contents

9.4 Bharti Airtel Awarded Alvarion New Contract for WiMAX Network to Serve India

Alvarion and Bharti Airtel, India's leading integrated telecom services provider, announced that Airtel has signed a contract with Alvarion to expand its WiMAX network for business users across key cities in India. Alvarion's market-leading BreezeMAX, platform, adapted to the special needs of India, addresses the fast-growing demand for high-quality broadband services. The network will also include Alvarion's BreezeACCESS. In 2006, Alvarion deployed Airtel's first WiMAX network across major cities of India for service enterprise customers. Based on their experience, Alvarion was awarded this expansion order. Airtel plans to provide additional enterprise customers the advantages of the technology by offering last mile connectivity for MPLS/VPN/Internet leased lines and other data services. Tel Aviv, Israel's Alvarion (http://www.alvarion.com) is the largest WiMAX pure player, ensuring customers' long term success with fixed and mobile solutions for the full range of frequency bands. Based on its OPEN WiMAX strategy, the company offers superior wireless broadband infrastructure and an all-IP best-of-breed ecosystem in cooperation with its strategic partners. (Alvarion16.06)

Back to Table of Contents

9.5 Newest ForeScout CounterACT Features PCI Compliance Kit

ForeScout Technologies announced the release of a Payment Card Industry (PCI) Compliance Kit to compliment the launch of CounterACT version 6.3. The kit contains 21 pre-defined policies and configurable reports that plug-in to CounterACT to address eight of the 12 requirements of the PCI Data Security Standard (DSS). Because CounterACT is deployed "out-of-band," the PCI policies can be implemented quickly without disruption to business. The payment card industry established the PCI DSS for the protection of cardholder information in response to widely publicized security breaches. Enforced through compulsory IT audits today, the PCI DSS helps to ensure the security and protection of cardholders' personal data. Companies governed by the PCI DSS, grappling with how to control access to private data, have looked to ForeScout for help. CounterACT is an out-of-band, clientless network access control appliance that delivers business-ready NAC by providing the ability to detect every device, interrogate the device for policy compliance, enforce network security policies and remediate non-compliant systems. This is accomplished without any form of network disruption. CounterACT provides complete pre- and post- connect access control policy enforcement ensuring devices remain fully compliant with network security policies. In addition, CounterACT's built-in intrusion prevention module ensures the network is always protected from malicious threats no matter where or how a device connects.

ForeScout (http://www.forescout.com) specializes in network policy management for enterprises looking to secure their networks without needlessly punishing end users. Its flagship product, CounterACT is the world's most deployed NAC solution: it is fast and easy for administrators to deploy, manage and maintain and offers users zero-disruption. Headquartered in Cupertino, California, ForeScout has an R&D center in Tel Aviv, Israel. (ForeScout 15.06)

Back to Table of Contents

9.6 Continuity Launches RecoverGuard Version 3.0 Disaster Recovery Management (DRM) Software

Continuity Software released its RecoverGuard version 3.0 software. RecoverGuard v3.0 offers customers an unrivaled solution for detecting and correcting disaster recovery (DR) threats and vulnerabilities in their EMC VMware virtualized environments. In addition, RecoverGuard v3.0 adds host configuration gap detection, enhanced integration with leading configuration management databases (CMDBs) and ticket management systems, as well as Oracle Data Guard and Hitachi Data Systems (HDS) platform support. RecoverGuard v3.0 will be generally available on June 30, 2008. Tel Aviv, Israel's Continuity Software (http://www.continuitysoftware.com) is a leading provider of Disaster Recovery Management (DRM) solutions. Its RecoverGuard software mitigates disaster recovery (DR) risks by detecting data protection gaps between customers' primary production and disaster recovery sites and/or localized DR solution. (Continuity Software16.06)

Back to Table of Contents

9.7 Elbit Vision Systems Wins Additional Order for Inspection Products of Technical Fabrics

Elbit Vision Systems (OTCBB: EVSNF) announced that during Q2/08 it has received a number of orders with total value of $1.5 million for automated surface inspection products, primarily for inspection of technical fabrics. The orders were received from a number of leading manufacturers. These orders were a mix between customers that have ordered from EVS in the past as well as some new customers. EVS offers a broad portfolio of automatic State-of-the-Art Visual and Ultrasonic Inspection Systems for both in-line and off-line applications, and quality monitoring systems used to improve product quality, safety, and increase production efficiency. EVS' systems are used by over 600 customers, many of which are leading global companies. The headquarters, manufacturing and R&D of EVS are all located in Israel. Kadima, Israel's Elbit Vision Systems (http://www.evs-sm.com), is a global leader in the field of Automatic Optical Inspection (AOI), implemented in the production and quality control of fabrics and web. (EVS16.06)

Back to Table of Contents

9.8 ECI Telecom to Provide Utah with ROADM-based Packet-Optical Network

ECI Telecom announced another ROADM win in North America. South Central Communications (South Central), one of the largest telecommunication companies in the State of Utah, has selected ECI Telecom's XDM All-Range ROADM (Reconfigurable Optical Add Drop Multiplexer) and Converged Multi-Service Transport Platform (MSTP) solution for their fiber transport network. The state-of-the art XDM platform, a key element in ECI's 1Net NGN (next-generation network) product line up, will allow South Central to provide data-rich services to businesses, health and education institutes, as well as 'triple-play' offerings, such as IPTV and high-speed Internet, to residential users. This solution provides South Central with the added flexibility necessary to modify and scale its network, so it can quickly and cost-effectively respond to local demand in real time. In addition, ECI's XDM solution offers South Central the unique capability to join together its ROADM-based optics, Ethernet and SONET infrastructure into a single platform. This multi-function capability is one of the key requirements of ECI's 1Net framework value proposition. The converged platform allows South Central to enjoy both the high capacity and reliability of their optical network, together with effective bandwidth utilization of packet traffic.

Petah Tikva, Israel's ECI Telecom (http://www.ecitele.com) delivers innovative communications platforms to carriers and service providers worldwide. ECI provides efficient platforms and solutions that enable customers to rapidly deploy cost-effective, revenue-generating services. Founded in 1961, Israel-based ECI has consistently delivered customer-focused networking solutions to the world's largest carriers. The Company is also a market leader in many emerging markets. ECI provides scalable broadband access, transport and data networking infrastructure that provides the foundation for the communications of tomorrow, including next-generation voice, IPTV, mobility and other business solutions. (ECI Telecom 18.06)

Back to Table of Contents

9.9 Waves Audio Enhancement Algorithms Offered with CSR's Bluetooth Solutions

Waves Audio announced that its audio enhancement algorithms are now being offered with CSR's BlueCore-Multimedia platforms under the company's eXtension Partner Program. This marks the first time that Waves' award-winning technologies will be accessible to manufacturers of Bluetooth devices using CSR's solutions. Patented Waves MaxxBass psycho-acoustic bass extension delivers a more natural sound than traditional bass boost technologies, which use EQ and can overpower your system. MaxxBass analyzes low frequencies to create harmonics which are CSR Offers Waves Audio Enhancement perceived as lower, deeper tones. MaxxTreble delivers crystal clear high frequency enhancement, for increased RMS without exceeding the system ceiling. Its proprietary algorithm restores luster to over-compressed formats, for the perfect listening experience. Based on the Waves professional S1 processor, MaxxStereo extends the span of stereo side content while maintaining the integrity of unprocessed center content. MaxxStereo for Speakers improves the stereo separation of speakers, widening the stereo field for optimal imaging. MaxxStereo for Headphones improves stereo perception, restoring the original listening balance for more natural sound.

Tel-Aviv, Israel's Waves (http://www.waves.com) is the world's leading developer and provider of audio signal processing tools, with award-winning software and hardware for the professional and consumer electronics audio markets. Waves has more than fifteen years of expertise in the development of psycho-acoustic signal processing algorithms which leverage knowledge of the human perception of hearing to radically improve perceived sound quality. (Waves 18.06)

Back to Table of Contents

9.10 Retalix & BT Join Forces to Launch One-Stop Technology Shop for Grocery Retailers in the U.K.

London's British Telecommunications (BT) has joined forces with Retalix to launch a range of products and services which will meet the entire in-store technology requirements of food and convenience retailers in the U.K. The co-operation agreement brings together Retalix's industry-established store technology platform with BT's team of retail experts, who have a track record of delivering successful store infrastructure implementations across a variety of retail store types. Combined with its capabilities in communications and networked IT, BT will be able to offer a new end-to-end grocery solution to the UK marketplace. The Retalix grocery store solution is a tightly integrated suite of electronic point-of-sale (EPOS) and back-office software applications, comprising fuel, loyalty, self-checkout, wireless mobile solutions, in-store kiosks and more. It suits the largest hypermarkets to the smallest convenience store, with or without fuel, and is currently deployed across over 3,800 stores and 50,000 point-of-sale terminals across the UK. Retalix EPOS software is the solution of choice for top retailers including Tesco, Sainsbury's and BP. BT will sell, deliver and support the Retalix solution as part of a complete "shop in a box" package, enabling grocery and convenience retailers to source their store infrastructure, applications, communications, hardware, and services, including integration, roll-out, training and support, from a single supplier.

Ra'anana, Israel's Retalix (http://www.retalix.com) is an independent provider of enterprise-wide software solutions to retailers and distributors worldwide. Retalix solutions serve the needs of multi-national grocery chains, convenience and fuel retailers, food service operators, food and consumer goods distributors and independent grocers. The Company offers a full portfolio of software applications that automate and synchronize essential retailing, distribution and supply chain operations, encompassing stores, headquarters and warehouses. (Retalix 24.06)

Back to Table of Contents

10: ISRAEL ECONOMIC STATISTICS

10.1 Israel's CPI Continues To Climb – Rises 0.7% in May

Israel's May Consumer Price Index (CPI) rose by 0.7%, according to the Central Bureau of Statistics, in line with the forecasts by most analysts. The latest rise brings inflation since the beginning of the year to 2.2%. Inflation for the past 12 months was 5.4%, well beyond the 3% ceiling of the price stability target. Excluding housing, inflation over the past 12 months was 6.2%, and excluding fuel, it was 4.9%. The clothing and footwear item in the May CPI rose by 3.1%; food, excluding fruits and vegetables, rose by 1.9%, while produce was unchanged. Transportation and communications rose by 0.7%%; education, culture, and sports rose by 0.1%, and housing by 0.1%. Price changes listed for specific items included: rice which soared 40.9% as a result of the global shortage; tomatoes which rose by 42%, tehina (sesame oil), which rose 2.9%, bread and cereals, up 1.6%; white flour, up 4.3%, frozen beef, up 19.2%, and salt, up 10.2%. Prices of most fruits rose sharply, although prices of melons fell by 23.1%. Prices in the housing component were partially affected by the steep increase in global oil prices, with prices of kerosene and diesel for heating rising by 7.6%. (CBS15.06)

Back to Table of Contents

10.2 Fresh Foods Dragging Inflation Upward

The cost of fresh produce is leading Israel's inflation, according to figures published by the Central Bureau of Statistics and the Agriculture Ministry. Fresh agricultural produce prices were up 0.9% in May - about 30% more than the general cost of living index (0.7%). Fresh produce is the top expenditure in most low-income households. The agricultural produce index includes, among other things, vegetables, fruit, meat, chicken and fish, milk and dairy products, eggs, honey, and dried fruit. The May index was affected mainly by fruit prices, which rose by 16.7%. The soaring prices of lemons (up 44.2%), avocado (up 37.8%), bananas (up 30.3%) and oranges (up 15%) were the main culprits. Part of the increases can be attributed to the delayed effect of the cold spell that destroyed a substantial portion of fruit crops this winter. Also, the soaring price increases of fruit have been offset by a 13.4% drop in the cost of vegetables from crops planted after the freeze. The difference between the cost to consumers and the price farmers get for their produce grew by between 30% and 40% in May, reaching 320% for tomatoes, about 160% for cucumbers and 135% for zucchini squash, meaning that stores charged customers about NIS 4.2 for every shekel paid to farmers. (Various23.06)

Back to Table of Contents

10.3 Israeli High-Tech Salaries Approach US Levels

Globes reported that the recent fall in the shekel-dollar exchange rate has resulted in an increase in dollar terms in salaries of Israeli high-tech employees. Figures released by global business consulting firm Radford reveal that the salary earned by a software engineer in Israel is close to the customary salary in the US. The survey, which covered 550 companies in 80 countries, reveals that a software engineer in Israel earns a total of $68,000 a year. For the sake of comparison, a high-tech employee in the US earns a total of $76,000 a year, and a software engineer in Russia earns $17,993 a year. In countries in East Asia, the preferred location for outsourcing, the average salary is a quarter of what it is in Israel. Software engineers in China earn $19,457 a year, and in India they earn $14,240 a year. (Globes 23.06)

Back to Table of Contents

10.4 Tourism to Israel Breaks All-Time Record in May

The Ministry of Tourism announced that nearly 300,000 tourists visited Israel in May, an all-time record. The number of tourists was 5% higher than May of 2000, Israel's record year for tourism, and at the current pace, 2.8 million tourists are on track to visit by the end of the year. Some of the steps the Ministry of Tourism intends to take include: Improving standards of customer service in Israel's hotels, building some 3,000 new hotel rooms, expanding airline routes and adding additional airline carriers. By 2012, the ministry's goal is to attract five million tourists, have 220,000 workers employed in the tourism industry and have tourism revenues of NIS 43 billion. (Various15.06)

Back to Table of Contents

10.5 One Thousand New Millionaires In Israel

Israel had 1,000 new millionaires in 2007, according to the Merrill Lynch and Capgemini 2008 "World Wealth Report", bringing the number to 8,200, 13.6% more than a year earlier. The aggregate wealth of the millionaires was $38.5 billion, 10% more than in 2006. The World Wealth Report defines a millionaire as a person with at least $1 million in liquid assets, excluding capital invested in assets and after deducting liabilities. The average wealth of the millionaires worldwide is $4 million. Merrill Lynch and Capgemini note that the increase in the number of Israeli millionaires was double the average global increase of 6%. A comparison with the increase of millionaires in other emerging markets shows that Israel is well below the average. The number of Indian millionaires rose by 22.7% compared with the previous survey, due in great part to the 11.8% annual growth rate by the Bombay Stock Exchange. China had the second fastest rate of growth in millionaires, with a 20.3% increase, followed by Brazil with 19.1%, South Korea - 18.9%, and Indonesia - 16.8%. According to the 2008 World Wealth Report, 97 Israelis are multimillionaires with more than $30 million in liquid assets, 10 more than the year before. The World Wealth Report states that art and luxury collectibles (cars, boats, planes, etc.) are the number one items in millionaires' portfolio allocations in "investments of passion", at least 16% on each. Some 14% of the millionaires' investments of passion go towards jewelry, 14% on vacations and recreation, 12% on various luxury goods, 10% on healthcare, 8% on other collectibles, 5% each on sports and miscellaneous investments. (Globes 24.06)

Back to Table of Contents

11: In Depth

11.1 LEBANON: Crisis of Power

Lebanon is suffering from a crisis of power, with the economy being increasingly hard hit and the general public being left in the dark. However, the crisis is not related to the continuing failure to form a new cabinet but the failings of the country's electricity supply. In what is fast turning into a summer of discontent, regions outside of Beirut are experiencing power cuts of up to 20 hours a day, affecting both the public and industry. With temperatures rising, consumer demand is on the increase, as more air conditioners are switched on and increased foreign tourist arrivals put a strain on an already overstretched grid.

According to state electricity monopoly Electricite du Liban (EDL) its production capacity is 1600 MW. This rate often falls due to technical failures or scheduled maintenance of plants. Even at optimum production, daily demand is more than 2100 MW. Fadi Abboud, the president of Lebanon's Industrial Association, has warned that the country risks losing part of its industrial base, with a number of manufacturers having shifted their operations to countries such as Kuwait. "The authorities and EDL provide Beirut with electricity 21 hours a day while the rest of the country gets less than four hours of power," Abboud reported to local media on June 11, adding, "We simply cannot continue."

To maintain supplies, many companies in energy intensive industries such as the plastic, ceramic, cement and chemical sectors use generators, more than tripling the cost of power, said Abboud. "Nearly 20-30% of the total cost of energy-intensive factories goes to cover electricity bills and this is a huge amount by any standards," he said.

There is some hope that the chronic shortages will ease later this summer, with the first shipments of Egyptian natural gas due to be pumped through a pipeline running via Jordan and Syria by July at the latest. While this will improve the supply situation to some degree, and cut an estimated $200m a year from Lebanon's energy import costs, it will take time for the full benefits of the increased supply to make itself felt in the electricity generation sector.

One of the greatest issues Lebanon's electricity supplier had to deal with is soaring international oil prices. Almost all of EDL's generation capacity is oil-based, and with the country having no domestic fossil fuel resources, all fuel requirements have to be imported.

On June 10, Finance Minister Jihad Azour acknowledged that EDL did not have the capacity to meet the country's electricity requirements. "We simply need more production units to meet the growing electricity consumption in Lebanon," he told the local media. "Buying fuel oil to keep our aging plants running will not solve the problems alone."

There have been delays in converting Lebanon's oil-fired power stations to operate on gas, meaning EDL's generating capacity will still be linked to imports of more expensive oil for the immediate future. This in turn will result in continuing power cuts, pushing up the cost of industrial products and potentially hamstringing the economy. Though the government of Prime Minister Fouad Siniora- now in a caretaker role as the premier tries to broker consensus on a national unity cabinet as part of the Doha agreement last month that ended the country's political standoff - has been in talks with the World Bank to obtain funding for more power stations, any increase in generation capacity is a long way off.

Though EDL has been slated for privatization, the high cost of restructuring the loss-making enterprise has halted any progress towards a sell-off. Some estimates put the cost of building new power stations and upgrading existing ones in order to meet current demand at $5bn, though more conservative figures put the total at $1bn. Either way, it is money that neither the cash strapped Lebanese state nor EDL have.

At the end of May, Azour said state support to EDL could total $1.2bn this year, most of which would go to paying for fuel imports. However, the minister's estimate was based on the then international oil price of $107 a barrel, meaning the state' utility's shortfall will probably be much higher by the end of the year.

Lebanon's gross public debt as of the end of April rose to $43.2bn, up 3.6% over the total at the close of last year, and a 5.5% increase on the April 2007 figure. With the government having to subsidize EDL's operations to the tune of almost $1bn last year, and probably more this year, the electricity monopoly is one of the main contributors to Lebanon's growing deficit. With no agreement on forming a national unity cabinet in place and general elections scheduled in little over nine months, it is unlikely any major decisions will be made to either commit to an expensive construction program to boost long-term electricity production or overhaul EDL ahead of privatization. (OBG18.06)

Back to Table of Contents

11.2 KUWAIT: Inflation To Rise Further After Hitting A Record 10.1% In February

In its latest economic brief, National Bank of Kuwait (NBK) reports that inflationary pressures continue to mount in Kuwait as the February consumer price index (CPI) jumped 10.1% from a year ago driven by escalating housing and food prices. The latest CPI data released by the Central Bank of Kuwait shows inflation reaching its highest recorded rate in recent history and surpassing the rate of 9.4% posted in July 1982. Kuwait now joins Saudi Arabia, Qatar and the UAE (forecasted) as the other Gulf States with double digit inflation. Over time, inflation significantly reduces the purchasing power of consumers. For example, at the current rate of 10%, the purchasing power of the Kuwaiti dinar is cut in half every seven years.

According to NBK, after hitting a low of 1.4% in April 2006, Kuwaiti inflation has risen almost continuously over the past two years. The rate of increase in inflation over the past six months has been particularly rapid, having more than doubled from 4.8% since August 2007.

Housing, food and household goods and services accounted for approximately 77% of inflation's overall rise in the past year. Housing and food have been the major culprits for the recent acceleration in inflation. Housing costs, which have the largest weight in the overall index (27%), have risen 16.1% over the past year while food costs (18.3% weight) rose 9.2%. Core inflation (excluding housing and food) had diverged from the trend in overall inflation during the second half of 2007 staying around 4.5% before jumping to 7.2% in January and 7.7% in February. Prior to that, core inflation had closely matched much of the rise in the overall rate since 2005.

Interestingly, despite the perception that the Gulf States (including Kuwait) are importing a good deal of their inflation, Kuwaiti inflation at the wholesale level has been higher for locally produced goods. In December 2007 (latest figures available), wholesale inflation was running 6.6% and 5.8% for locally produced and imported goods, respectively. The Kuwaiti dinar's 9% appreciation against the US dollar since May 2007 might have played a role in limiting the impact of rising import prices. In May 2007, Kuwait depegged its currency from the dollar and reverted back to a currency basket regime in which the dollar still holds a predominant weight. Though the central bank does not divulge the components of the basket, not their weights, the dollar is estimated to represent roughly 80% of the basket.

NBK expects inflationary pressures to continue rising from a number of different sources over the next few months. First, housing costs have started ratcheting upwards about a year ago prior to which their component was adjusted infrequently. Indeed, even now, the housing component is adjusted once every three months, the last time being in December 2007. Thus, the March 2008 figure is expected to show a considerable rise. Second, food inflation continues rising globally. After rising 15.2% in 2007 (measured in US dollar terms), the IMF expects world food prices to rise 18.2% in 2008 before easing sometime next year.

Monetary authorities have made containing inflation one of their top priorities. After depegging the KD from the US dollar in May 2007, the Central Bank has passed a number of important measures to slowdown credit growth. However, there are limits to what monetary policy alone can do in such a fast growing economy fuelled by high oil prices and expanding government spending. The large weight that the US dollar commands in the basket against which the KD is pegged also limits how far Kuwait's interest rates may diverge from US dollar rates that appear unlikely to rise soon.

Furthermore, direct price controls that are being considered to contain inflation may work in the short-run but not in the long-run. Therefore, as the IMF has recently noted, the burden of further measures to contain inflation may well have to fall on fiscal policy. Restraining the growth rate in overall spending will be necessary to manage growth in domestic demand. However, even the room for fiscal policy is limited given the need for higher investment to alleviate supply bottlenecks over the long run. Therefore, tolerating somewhat higher inflation for a while will be unavoidable, while subsidies, price controls, reduction in tariffs and other regulatory measures being considered by the government could –at least in the short run- alleviate the impact of higher prices on the purchasing power of consumers. (Al Bawaba 12.06)

Back to Table of Contents

11.3 UAE: Northern Emirates - Catching up on Safety

The need for better regulations within the Northern Emirates' booming construction sector has been highlighted by a tragic construction accident in Ajman recently. The accident occurred at the site of the Laguna Beach Hotel on Ajman Corniche. Several laborers, believed to be Indian nationals from the Punjab and Uttar Pradesh regions, were inspecting a leak beneath recently poured concrete in the basement of the site when the slabs above them collapsed. According to an eyewitness, seven laborers, all below the age of 25, were caught in the collapse.

An extensive rescue effort, involving Ajman Police and Civil Defense teams, as well as rescue units from Dubai, worked non-stop to search for survivors. Their efforts were hampered though by the rapidly setting concrete, and no survivors were found. Police have detained all officials involved in the project for questioning.

Seidco Construction Company, the contractors responsible for the site, reported that the flooring collapsed some 20 minutes after being laid. Engineer Ahmed Abdul Razaq, Assistant Director General of Technical Affairs at Ajman Municipality, said that preliminary investigations revealed the rebar and concrete used were of high quality, forcing speculation that the accident was a result of excess volumes of concrete being poured. Colonel Ali Abdullah Alwan, Chief of Ajman Police, expressed his anger at the accident, describing it as pure carelessness.

The incident is the latest in a line of construction accidents to befall migrant laborers in the UAE. At least 12 construction workers have died in the past year in work-related accidents and dozens more have been injured. While standards have recently improved in Dubai and Abu Dhabi, some industry observers believe that practices in the northern emirates are falling behind. Mohammed Hamed Al Oupy, Manager of Health, Safety, Environment and Quality at Mirdif Security and Safety Consultants, described the situation in the northern emirates as "shocking". "There is hardly any concern for safety, yet many of the contractors there also operate in Dubai where they implement extensive safety mechanisms," Al Oupy told Emirates Business 24/7.

A new safety code is currently being prepared by Dubai Municipality, which will reportedly bring safety practices in the construction sector in line with UK and US standards. However, the code will only be municipal, not federal. According to Al Oupy, "It is not enough for Dubai or Abu Dhabi alone to implement safety norms."

Long hours and poor safety standards, coupled with high inflation driving down the value of incomes, have already led to protests this year among the migrant laborers of the northern emirates. In March there was violence on the streets of Sharjah as hundreds of workers attacked offices and set fire to cars. Police arrested over 500 South Asian laborers during the protests.

With the northern emirates currently enjoying a boom in construction, labor conditions represent the hidden side of prosperity. Ajman in particular is enjoying high levels of foreign investment growth: 33% of new developments are owned by foreigners, compared with an 11% average for the rest of the UAE, and the vast majority of this investment is in bricks and mortar. The largest project to date in Ajman - a €40m project by Solidere at Al Zorah - has also just been announced. As the size and extent of real estate grows though, so too must the oversight of those charged with building it. (OBG12.06)

Back to Table of Contents

11.4 OMAN: Banking Against Inflation

The Central Bank of Oman (CBO) has stepped in to try and to take some of the heat out of the sultanate's inflationary fires, announcing a series of measures aimed at reducing consumer demand by cutting the levels of cash available for credit loans. Oman's inflation rate hit an 18-year high in the first quarter of 2008, with annualized price rises at 11.5% at the close of March. Oman's rising inflation rates have prompted a series of measures by the state to ease the burden on consumers, including a round of wage increases for government employees of up to 43% and increased payments to state pensions of between 5% and 35%. The sultanate has also increased subsidies on a number of staples, including wheat, to try to reduce the pressure of soaring international commodity prices.

On June 9, it was the turn of the CBO to take up the fight against inflation, with the bank announcing it had decided to raise its minimum reserve requirement (MRR) from 5% of total deposits to 8% to reduce liquidity in the market. It also cut the lending ratio from 87.5% to 82.5% and lowered the interest ceiling on personal loans from 8.5% to 8%. The CBO's previous cut on interest rates for personal loans came in March, when it reduced the ceiling by 0.5%.

Much of Oman's inflation comes from rent costs and food prices, the former driven by rising demand and the latter by both increasing commodities prices worldwide and Oman's pegging of its currency to the US dollar. Prices for food, beverage and tobacco - which make up almost one third of Oman's consumer price index - rose by 18.5%, while rents increased by 12.4%, all above the annualized average of 11.5%. According to Hamoud bin Sangour Al Zadjali, executive president of the CBO, the reduction in interest rates on personal loans was a measure aimed at helping small borrowers.

While the reduced rate will apply only to new personal loans, current borrowers will be able to negotiate the rate charged with their bank on their existing loan or close their loan and apply for a new one at the lower rate. The reduction was in line with the downward interest rate trend in the international market, especially for dollar-dominated loans, Al Zadjali told local press on June 10. However, the CBO did raise the ceiling for housing loans from 5% of banks' total loan portfolio to 10%, a measure Al Zadjali said was a reflection of the growing demand in the home market. "There was a request for lifting the ceiling to 10% from banks on growing demand for mortgage finance," he said. "With the expectation of more real estate projects, there will be an increase in demand for housing loans."

The banking sector is enjoying strong growth at the moment and the decisions of the CBO should do little to undermine this momentum. The CBO issued a report on the sultanate's banking industry on June 11, showing that the combined assets of the country's commercial banks had increased by 45.5% in the 12 months ending April, totaling $29.5bn, with cash on hand and deposited with the central bank rising by 70.5%, from $748m to $1.27bn. The report also said that the level of outstanding credit has risen to $19.4bn, an increase of 49.7% in the last year, with loans to the private sector accounting for 94% of this total.

The 5% reduction in the lending ratio will be phased in between August and November, a move intended to ease the impact of the decision on the marketplace. Meanwhile, the cut in the ceiling for interest rates on personal loans came into effect as of June 14. Analysts wonder whether the central bank's moves to reduce money in the market will have a strong impact on inflation.

Indeed, the CBO's move to open the taps wider for home loans could have an inflationary effect, with the prices of construction materials and labor climbing due to shortages fueled by high existing demand. By taking with one hand and then giving with the other, the central bank's new package of fiscal measures may have only minimal impact on Oman's rising inflation. (OBG17.06)

Back to Table of Contents

11.5 SAUDI ARABIA: Wheaty Matters

Saudi Arabia is likely to begin importing wheat by the end of the year as a result of disappointing harvest forecasts, according to reports from local traders. The news is an indication of how rapidly wheat production in the formerly self-sufficient state has tailed off since the announcement earlier this year that the government would be curtailing subsidies.

Saudi Arabia produced 2.7m tonnes of durum wheat in 2007, sufficient to meet domestic demand. However, the figure fell far short of the 4.1m tonnes produced in 1992 - a period when Saudi Arabia was an exporter of grains, selling supplies to former eastern bloc countries, and gifting others to Syria.

The reason for the reduction is simple: Saudi Arabia is a desert kingdom, whose topography is naturally unsuited to agriculture. Those crops it has managed to produce over the years have been a triumph of human ingenuity over natural adversity - literally making the desert bloom. They have also required massive state subsidies and the extensive use of water from non-replenishable fossil aquifers.

Much like oil, which has fuelled Saudi Arabia's economy for the past 75 years, every gallon of water taken from a fossil aquifer will never be replaced; it is very much a finite resource. The government decided in January that, at around 1000 tonnes of water per tonne of grain (or looked at another way, water used in agriculture accounts for 85% of Saudi Arabia's current total water use), cereal agriculture has no viable future in the kingdom.

From a purely economic perspective, growing grain in Saudi Arabia has never made sense: in the 1970s government subsidies ran at just under $1000 per tonne. In the 1990s, the subsidy was gradually reduced to less than a third of that figure, and production dropped accordingly.

With a rising population to provide for, subsidizing farmers to pour away the nation's limited fresh water resources can no longer be sustained. Under the government's new plan, the kingdom aims to rely entirely on grain imports by 2016, and is likely to offer existing farmers subsidies to either switch to less water-intensive crops, or leave farming altogether.

Imports are expected to commence in Q3 this year, perhaps earlier than analysts might have expected at the time of the government's announcement, especially given that government officials had announced in April that there were six months of reserves remaining. However, this year's yield is forecast to be somewhat lower than last year's - in keeping with a standard bell-curve depletion model - and high global prices for basic staples, combined with domestic inflation, have led to high bread prices. In an effort to abate this latter trend the government is looking to boost the kingdom's stockpile of wheat. Chicago Board of Trade Futures for wheat rose briefly over 1% on the Saudi news, taking the price per bushel as high as $7.72 in Asia, though this is still markedly lower than the early Q1 peak of over $13.

In the medium term, this is perhaps the least propitious point in the past decade or so for a country to forsake self-sufficiency in basic staples. The well-documented recent inflation in food prices has prompted emergency action from the UN, which called a summit in Rome last week to address the situation. Just prior to the summit, Saudi Arabia announced it would donate $500m to the World Food Program, the main agency for emergency relief, in order to alleviate the most affected. Even for those countries that can afford to import grain, these are difficult times: some major exporters have closed their doors to exports in an attempt to halt their own domestic price spirals. Paying for supplies may soon prove easier than sourcing them in the first place.

One potential solution is to pay other, more fertile countries, to use their land to grow crops - effectively outsourcing agricultural production. This method of production combines comparative advantage with a degree of insulation from market swings. Saudi Arabia is already considering plans to invest in Thai rice production, and a high level delegation this week may see a similar arrangement with Pakistan for wheat. Pakistani Prime Minister Yousaf Raza Gilani is seeking $6bn in aid from Saudi Arabia. In return, local media suggests Pakistan could offer "hundreds of thousands of acres of agricultural land" to grow wheat. A better option altogether than watering the desert. (OBG12.06)

Back to Table of Contents

11.6 TUNISIA: IMF Mission Statement

An International Monetary Fund (IMF) mission visited Tunis from May 27-June 9, 2008, to conduct the regular consultation under Article IV of the IMF Articles of Agreement, which requires an annual review of the economic policies of all IMF member countries. The mission issued the following statement in Tunis on June 9, 2008:

"The discussions focused on economic policies as well as the short- and medium-term economic outlook. The mission held wide-ranging discussions senior Tunisian bank and government figures. The mission also met with other members of the government and the administration, representatives of the banking sector and the business community, and with social partners. The IMF staff wish to express their deep appreciation to the Tunisian authorities for their excellent cooperation, the high quality of the discussions, and their customary warm hospitality and full availability.

"Tunisia recorded an excellent economic performance in 2007. Growth in real GDP accelerated to 6.3%, contributing to lower unemployment. The BCT's prudent monetary policy contributed to reducing inflation to 3.1%, although it recently picked up again, primarily on account of new increases in world prices for food and petroleum products. The current account deficit, while remaining sustainable, deteriorated from 2% of GDP in 2006 to 2.6% in 2007, largely on account of declining terms of trade. The current account deficit has nonetheless been comfortably financed by foreign direct investment, as reflected by an increase in international reserves to over $8 billion at the end of first quarter of 2008. The fiscal deficit stayed within the 2007 budget target of 3% of GDP in spite of higher subsidies on food and petroleum products. The prudent fiscal policy and the use of a portion of the privatization proceeds helped reduce the public debt from 53.9% of GDP in 2006 to 50.9% in 2007.

"The proactive policy pursued by the authorities helped to further strengthen the soundness of the banking system, as reflected in particular by a decrease in nonperforming loans (NPLs) to total loans ratio from 19.3% in 2006 to 17.3% in 2007 and an increase in the provisioning ratio from 49.2% in 2006 to 53.8% in 2007.

"The challenging international environment is expected to slow down economic activity to some extent but the outlook remains encouraging. Real GDP growth in 2008 is expected to remain relatively strong at 5.5%. Inflation should be around 5%. Rising world prices of food and petroleum products will bring about a significant increase in subsidies. Nevertheless, the fiscal deficit should be kept within the budget limit of 3%. The current account deficit should remain in the 3-3½% of GDP range. The medium-term outlook remains favorable, with mega-projects expected to support growth. Given the scale of these projects, it is desirable to rapidly incorporate them into the medium-term macroeconomic framework in order to better manage their impact and control any potential risks, particularly those associated with real estate projects.

"The major challenge at present is to limit the impact on inflation and growth from rising world prices of food and petroleum products and global financial turbulence in order to further reduce the unemployment rate which is still relatively high, particularly among young graduates. This requires pursuing structural reforms and strengthening Tunisia's macroeconomic position. In this context, the mission considers that the prudent monetary policy pursued by the central bank is appropriate but may require additional tightening if inflationary pressures should intensify. Monetary policy should also be supported by a more flexible exchange rate policy. On the budgetary side, the authorities are faced with a delicate tradeoff between the need to maintain the purchasing power of Tunisians in the face of rising international prices of food and petroleum products while preserving fiscal sustainability over the medium to long term. Given the very rapid increase in direct and indirect subsidies related to these products (which the authorities currently estimate at 7.1% of GDP), and the strong likelihood that the current high world prices will persist, the ongoing reform of the subsidy system to improve its targeting should be continued in conjunction with the implementation of the energy conservation policy.

"The financial system should undergo further strengthening to enable it to withstand the potential shocks to which Tunisia may become exposed as it pursues its integration to the global economy. In particular, it is important that the regulatory and supervisory frameworks are continuously adapted to reflect developments in the international financial system. The mission encourages the authorities in their preparations for the implementation of Basel II.

"Tunisia has recently made significant progress in improving its business climate, as evidenced by the new law on economic initiative (promulgated in December 2007) designed to foster business creation. The authorities are continuing the gradual liberalization of the capital account. Finally, Tunisia is pursuing its efforts to strengthen its framework for Anti Money Laundering/Combating the Financing of Terrorism (AML/CFT).

"The authorities are continuing to further integrate the Tunisian economy into the regional and global economy, the current economic environment notwithstanding. Trade liberalization is progressing, particularly in the context of the Association Agreement with the EU, which culminated in free trade of goods in 2008; negotiations focusing on agricultural goods and services are under way. In addition, Tunisia is actively engaged in promoting regional integration and has entered into a number of bilateral trade agreements." This review will conclude with the preparation of a report, which will be discussed by the Executive Board of the IMF in August 2008. (IMF24.06)

Back to Table of Contents

11.7 TURKEY: Business Blues

Turkey's business leaders are not taking sides in the closure case against the ruling Justice and Development Party (AKP), but they worry about its effects on financial markets, investor and consumer confidence and the conduct of economic policy. There is also a growing fear that the political uncertainty could last not just for months but for years.

A Constitutional Court ruling of June 5th has bred expectations that the AKP will be disbanded for seeking to introduce an Islamist regime. The court ruled that recent government-backed constitutional changes legalizing Islamic headdress for female university students were themselves unconstitutional. The same court is likely to issue its verdict in the closure case against the party in September - although a delay would come as no surprise.

While the AKP and the judiciary trade jibes, economic activity is slowing, resurgent global commodity prices are playing havoc with inflation and external balances, and uncertain international financial conditions are threatening much-needed foreign capital inflows. In the wake of June's ruling, the main Istanbul Stock Exchange index settled below the 40,000-point mark while typical government bond yields surged to over 22%.

FDI Dip

Since the closure case was opened in mid-March, government supporters have blamed it for a sudden, if brief, slide in the lira in March and April as well as a precipitous decline in indicators of consumer and business confidence. Others, however, attribute the poor performance of Turkish assets to the large structural current-account deficit (5.8% of GDP in 2007) and heavy dependence on imported fuels. One foreign investor attributes 30% of financial market turbulence this year to domestic politics and 70% to the global situation.

Foreign direct investment (FDI) has also declined in recent months. The treasury minister, Mehmet Simsek, is expecting $12bn-17bn in FDI in 2008—much of it from privatization—compared with $20bn in 2007. Any shortfall will increase the need for foreign borrowing to finance the current-account deficit, putting pressure on interest rates and the lira, which remains strong by historical standards at about YTL1.25:US$1. Consumer price inflation - which reached 10.7% in May—could go on rising and GDP growth could fall to well below the 4.5% of 2007. Despite abandoning its end-year target of 4%, the Central Bank raised its key overnight borrowing rate to 15.75% in May, and another hike is anticipated on June 16th.

Neutral Positions

In the event of closure, the AKP leadership is expected to set up a new party, which would retain a safe majority in parliament, even in the event of some in-fighting and defections. But whether or not the party is closed, up to 39 MPs, including the prime minister, Recep Tayyip Erdogan, are likely to be deprived of their parliamentary seats, prompting by-elections which would be held in conjunction with the local government elections due in March 2009. Mr Erdogan could attempt to return as prime minister by running in the by-elections as an independent candidate.

Reluctant to take sides, Union of Chambers president, Rifat Hisarciklioglu, has called on all parties to act in accordance with the constitution and to avoid raising political tensions. Even religious-conservative business organizations like the Independent Industrialists and Businessmen's Association (MUSIAD) and the TUSKON network (linked to Fetthullah Gulen, a controversial US-based "guru") have made few public statements, perhaps reflecting their members' concern for economic stability.

The TUSIAD View

Members of the Turkish Industrialists and Businessmen's Association (TUSIAD), the voice of big business and the financial sector, undoubtedly share some of the concerns of secularist public opinion, the military and the judiciary about the AKP's model of society. At the same time, however, they strongly support the already-stagnant EU accession talks, which the closure of the ruling party threatens to interrupt. When the AKP raised the headscarf issue earlier this year, TUSIAD's president, Arzuhan Dogan Yalcindag, regretted the AKP's timing rather than its intentions.

Powerful media organs owned by Mrs Yalcindag's father, Aydin Dogan, broadly supported the AKP in its landslide re-election last July, but have since become more critical. A return to the cautious, liberal, pro-EU image which the AKP government adopted after its dramatic rise to power in 2002 would suit TUSIAD well, but it is in no position to enforce its wishes.

Fiscal Loosening

When it comes to the management of the economy, TUSIAD is less reluctant to come off the fence. In late May, Mrs Yalcindag likened recent government policies to the “populist policies of the past”. The government has reduced its primary fiscal surplus target for 2008 by 0.7 points to 3.5% of GDP to accommodate election-oriented policies such as a cut in social security premiums, the use of privatization revenues for public investments, proposed changes in the public procurements legislation and actual or proposed amnesties for social security arrears and agricultural credits. While some businesses may benefit via government contracts or lower employment costs, the financial world is concerned that fiscal loosening may not end here, and that instead of boosting the economy it will only stoke imports and prices further.

The shift in fiscal policy coincided with the expiry of the 2005 IMF standby accord and the end of almost a decade of IMF tutelage. Ignoring the government's claim to have set out a clear plan of action and a fiscal program for the next five years, Ferit Sahenk, deputy president of TUSIAD and chairman of Dogus Holding, pointedly called for “the announcement and implementation of a comprehensive economic program preferably supported by international financial circles”.

However, none of the opposition parties - whether nationalist, social democrat or centrist - look capable of forming a stable government. Intervention by the secularist military is universally ruled out, but there is growing, if vague, talk of “a return to the ineffective coalition governments of the 1990s”. Thus the deep divide over Islam and secularism could contribute to weaker government, higher volatility and less reliable policy signals for years to come, deterring investment and making it difficult to imagine any fresh wave of reforms tackling the problems of the legal system, education and public administration. (EIU12.06)

Back to Table of Contents

- Israeli Shekel conversions done at a rate of NIS 3.40 = $1.00

- Turkish Lira conversions done at a rate of NTL 1.2 = $1.00

- Euro conversions done at a rate of € 1.00 = $1.50

- Jordanian Dinar conversions done at a rate of JD 1.00 = $1.41

- UAE Dirham conversions done at a rate of Dh 3.66 = $1.00

- Omani Rial conversions done at a rate of OR 0.385 = $1.00

- Pakistani Rupee conversions done at a rate of Rs 60 = $1.00