Fortnightly - August 06, 2008

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1: ISRAEL GOVERNMENT ACTIONS - STATEMENTS

1.1 Cabinet Approves $211 Million Cut in 2008 Budget

On 3 August, the cabinet approved a sweeping plan to cut government spending in 2008 by 6%, except for defense, education and local authorities, to free up $211m for "unbudgeted" expenditures. The new commitments resulted from several private members' bills, increased pensions for poor Holocaust survivors, a plan to hire 1,000 new policemen, salary agreements and High Court rulings. The Finance Ministry said these new commitments had created a $571m gap in the 2008 state budget. The Treasury is under pressure to stay within the budget framework of a maximum 1.7% deficit. To combat fierce opposition to the broad budget cuts from the Labor Party, Shas and other MKs, the cabinet in parallel agreed to allow the ministries to make use of a total of $89.7m from their emergency reserves. The reserve budget serves as a safety cushion to be used with the approval of the Finance Ministry and is designated to overcome problems that were not anticipated when the state budget was approved. Following initial objection to the Finance Ministry's plan, the majority of cabinet ministers voted in favor of the cuts. Treasury officials view the cuts to the base line of the 2008 budget as a success since the 6% cut will also apply to the 2009 state budget. The ministry estimated that the budget squeeze this year will save about $286m next year. (Various05.08)

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1.2 Israeli Price Tags To Be Based On Weight - Volume

On 4 August, the Knesset economic affairs committee approved new ordinances to the consumer protection law drawn up by the Ministry of Industry, Trade - Labor, which are expected to make comparison of prices easier for consumers, and protect them from unannounced reduction of quantity while maintaining the same price. The price per unit must be based on net weight, without packaging. The ordinances also address the issue of price labeling of sales and specials. Business owners are allowed to present prices per unit on sale, on the condition that the regular price per unit is also included. The new ordinances will not apply to businesses of less than 100 square meters, such as small groceries. Nor will the rules apply to wines, cigarettes, various types of unpackaged bread and makeup and cosmetics of less than one kilogram or one liter, products being sold at reduced rates due to a flaw, or whose price per unit is less than NIS 0.05. Nor will they apply to products in show windows that are sold in automatic dispensers or sold in public auctions, and single packages of varying products. (Various05.08)

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2: ISRAEL MARKET - BUSINESS NEWS

2.1 ECI Telecom Remains India's Top Transmission Equipment Vendor for Third Consecutive Year

ECI Telecom announced that Voice - Data, India's leading telecom magazine published by Cyber Media, ranked ECI Telecom as the #1 transmission equipment vendor in India for the third consecutive year. The company maintained its leadership with 30% market share, significantly ahead of other market competitors. India's domestic telecommunications segment is one of the fastest growing markets in the world, driven in large by the exponential growth rate of the country's cellular sector from which transmission vendors as ECI are particular beneficiaries. According to the Voice - Data survey, the Indian telecommunications industry grew by 24% from $18b in FY 2006-07 to $22.3b in FY 2007-08. The transmission equipment market increased by 53% to record $452m in revenues, propelled primarily from the network infrastructure expansions required to support increased cellular voice traffic. India also experienced high growth in the broadband access market, with 68% year-over-year growth. As an end-to-end network equipment provider, ECI is well-positioned to leverage its leadership in the transmission market to compete in this sector as well. ECI's 1Net business framework, as announced in March 2008, can help service providers with the inevitable transition to next-generation networks and services, through fiber to the home/building technologies, Carrier Ethernet and managed services. Petah Tikva's ECI Telecom (http://www.ecitele.com) is a global provider of networking infrastructure equipment delivering innovative communications platforms to carriers and service providers world over. ECI Telecom provides scalable broadband access, transport and data networking infrastructure which enables the foundation for the communications of tomorrow which include next-generation voice, IPTV, mobility and other business solutions. (ECI 04.08)

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2.2 Road Safety Technology Co Greenroad Raises $3 Million

GreenRoad Technologies (formerly Drive Diagnostics) has raised an additional $3m in its second financing round, which it began in January. The company has now raised a total of $17.5m in this round. Current investors Benchmark Capital, Balderton Capital Management LLP and the Virgin Green Fund participated in the round, joined by Amadeus Capital Partners. The company said it would use the proceeds from the latest round to expand its R-D and sales network. GreenRoad (http://www.greenroad.com) of Or Yehuda was founded in 2002 and employs 43 people. GreenRoad develops driver safety technologies that stop risky driving before an accident occurs. Its solutions are designed to empower drivers to manage their own safety by giving instantaneous, in-vehicle driver coaching without privacy invasions. (Globes23.07)

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2.3 Lockheed Martin Delivers F-16I Flight Systems Trainer to Israeli Air Force

Lockheed Martin Corporation has delivered the Israeli Air Force (IAF) F-16I Flight and System Trainer (FST) that will be used to support a variety of training requirements for the IAF F-16I "Soufa" fighter and ground attack aircraft. Delivery of the simulator is part of a contract originally awarded in January 2006 that calls for Lockheed Martin Simulation, Training - Support (STS) to provide emergency procedures, aircraft systems operation, and tactical and weapon systems crew training. Lockheed Martin provides the hardware and software to simulate F-16I aircraft systems, sensors, weapons and flight dynamics. The training system foundation is built from Lockheed Martin's NxSys pre-integrated suite of simulation products. That suite includes the Instructor Operator Station (NxIOS), Flight Debrief Station for After Action Review (NxAAR), Tactical Environment Simulation (NxTES), Digital Radar Landmass Simulation (NxDRLMS) Air-to-Ground and Terrain Following (TF) radar, and NxView Sensor Image Generator Software for Low Altitude Navigation and Targeting Infrared for Night (LANTIRN) forward-looking mid-wave infrared (FLIR). In addition, Lockheed Martin provides the Software Development Environment that will allow the Government of Israel to update the FST to support future training requirements. The Government of Israel separately procured the avionics simulation, cockpit and visual systems, which Lockheed Martin integrated before shipping the complete FST to Israel for installation. Lockheed Martin has a long standing relationship with the IAF, fielding the F-15I FST in 2003. That system has been in continuous operation, providing a training capability to meet Israeli Air Force. The two systems are co-located at an Israel Air Force Base providing centralized training for IAF pilots. Headquartered in Bethesda, Md., Lockheed Martin employs about 140,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. (Lockheed Martin24.07)

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2.4 El Al - American Airlines Begin Code Share Agreement

El Al and American Airlines reached a code share agreement in December 2007, including dozens of flight destinations in North America. For the first time, using one airline ticket, El Al passengers can fly comfortably and conveniently to and from a wide range of USA and Canadian destinations, via European or American airports. The shared flights will begin operating from September 2008. During the first stage, using only one ticket, passengers will be able to fly via one of El Al's direct North American destinations, or via one of El Al's European destinations, to major cities such as Chicago, Miami, Boston, San Francisco, Dallas and Washington, D.C. A few weeks later, in the second stage, the choice of destination cities will expand to include Orlando, Las Vegas, Seattle, San Diego, San Jose, Cleveland, Pittsburgh, Tampa, Denver, Honolulu, Montreal and more.

In addition, the agreement enables El Al passengers to fly between North America and Israel, with a stop (or stay) at one of El Al's key European destinations, where the transatlantic sector is flown on American Airlines. This arrangement considerably extends the flexibility of choice for passengers; in addition to the option of choosing a non-stop flight, passengers can plan to mix, say, a direct flight to one of dozens of North American destinations in one direction (with a change of plane at a USA airport), with a flight in the other direction that connects at a European airport – with layover possibilities if the passenger so chooses. The transit and connection arrangements included in the agreement guarantee passengers maximum convenience and timesaving. El Al Israel Airlines is Israel's national carrier. American Airlines (AA) is the world's largest airline in terms of passenger numbers and fleet size. (AA30.07)

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2.5 LanOptics Changes its Corporate Name to EZchip Semiconductor

LanOptics announced that it has formally changed its corporate name to EZchip Semiconductor Ltd., effective July 22,

2008. The corporate name change follows the change in the company's trading symbol to EZCH in January 2008 and the company's acquisition of substantially all of the outstanding shares of its subsidiary, EZchip Technologies. EZchip Semiconductor's shares are traded on the NASDAQ Global Market and the Tel-Aviv Stock Exchange under the symbol EZCH. Yokneam's EZchip (http://www.ezchip.com) is a fabless semiconductor company that provides Ethernet network processors. EZchip provides its customers with solutions that scale from 1-Gigabit to 100-Gigabit per second with a common architecture and software across all products. EZchip's network processors provide the flexibility and integration that enable triple-play data, voice and video services in access, metro and edge systems that make up the new Carrier Ethernet networks. (EZchip31.07)

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2.6 Ness Technologies Acquires Czech IT Services Provider Logos

Ness Technologies has signed a share purchase agreement to acquire 100% of the shares of Logos a.s., a privately-held, Czech-based leading IT services and consulting company. For the fiscal year ended March 31, 2008, Logos generated revenues of €29.7 million and was profitable. Logos has been one of the fastest growing IT services and solutions providers in the Czech Republic. With a strong presence in the Czech financial and telecom sectors, Logos provides a variety of IT services including consulting, custom software development, testing and quality assurance, information systems analysis, outsourcing and staffing. Upon completion of the acquisition, Logos will be merged into Ness Czech. Logos complements the Ness service portfolio, with little overlap in services and customers. Ness Czech's strong position in the utilities, manufacturing and public sectors will be complemented by Logos' strong presence in the financial and telecom industries. On the technology side, the combined company will offer deep expertise and experienced teams in leading technologies, including Microsoft, SAP, Oracle, Documentum and IBM. Tel Aviv's Ness Technologies (http://www.ness.com) is a global provider of end-to-end IT services and solutions designed to help clients improve competitiveness and efficiency. The Ness portfolio of solutions and services consists of software product development, including both offshore and near-shore outsourcing; system integration, application development and consulting; and software distribution. (Ness31.07)

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2.7 ApNano Raises $5 Million

ApNano Materials closed a $5m financing round from private investors at a company value of $70m after money. ApNano's NanoLub comprises of dry nanoparticles designed to replace lubricants for reducing friction. NanoLub is several times more effective than current lubricants, such as oil, and is the first commercial solid nano-lubricant in the world. The company produces NanoLub at a plant that was established three years ago when the company closed its second financing round. ApNano Materials (http://www.apnano.com) is a private company incorporated in the US in 2002. The company was granted an exclusive license by Yeda Research and Development Co. Ltd., the commercial arm of the Weizmann Institute of Science, Israel, (http://www.weizmann.ac.il) to manufacture, commercialize and sell unique nanotechnology products based on a new class of inorganic nanostructures discovered by the Institute's Nanomaterials Synthesis Group. Before the group's discovery it was thought that such particles, called fullerenes, could only be made with carbon atoms. The Weizmann group was the first to show that various inorganic compounds could also be synthesized into fullerene-like structures. The company's headquarters, sales - marketing offices are located in New York, USA. The R-D operation is located in Rehovot, Israel, in the high-tech park adjacent to the Weizmann Institute of Science. The Rehovot facility includes their semi-commercial nanoparticles production unit. (Globes 04.08)

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3: REGIONAL PRIVATE SECTOR NEWS

3.1 Halal Industry in the Middle East Tops $19.87 billion

The halal industry in the Middle East is estimated to be worth more than $19.87b in 2008, according to recent industry reports. Global players are looking to leverage the high demand for halal food products in the region, which have grown to comprise a significant part of the global halal food market, expected to reach $500b by 2010. Amidst the growing demand for halal food products in the region, Dubai has emerged as one of the first to leverage the booming prospects within the market after establishing a highly successful food processing industry, which rakes in more than $2.99b per year. Furthermore, the emirate's food processing sector is expected to rise by 11% annually, owing to its growth as the world's third largest re-exporter, with 72% of its exports being shipped to Asia, Africa and Gulf countries. (Mena 24.07)

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3.2 Dubai Investor Buys Former Safari Park in Texas

A former safari park in the middle of an active oilfield in Houston, Texas, has changed hands in a deal involving a Dubai investor, a local politician, three donkeys and a bull. Businessman Sikander Ali, of Resham Investments, who also owns the 3400 Montrose building in Houston, bought the land from Thomas Abraham, a Sugar Land City Council member who owns an air-conditioning company and invests in real estate around the Houston area. A deal for $750,000 was struck for two separate tracts totaling 64 acres south of Interstate 10 near the Brazos River. An assortment of zebras, camels, kangaroos, bears, lions, tigers, hippopotamuses and water buffalo once inhabited the land as part of the River Ridge Safari Park. Abraham sold off the exotic animals after purchasing the shuttered theme park in 2000. Ali and Abraham are now negotiating over the remaining animals - 13 horses, seven cows, three donkeys and a bull - currently living on the acquired land. It is understood that Ali plans to hold the land until the oil field runs dry, then possibly build homes on the property. Ali bought the land, but not the mineral rights, so he will be able to rake in proceeds from the oilfield, which was discovered about 10 years ago. The old safari park land is producing about 1,000 barrels of oil a month. (Various27.07)

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3.3 LaserCard Corporation Receives Follow-on Order for Saudi Arabia National ID Card Program

California's LaserCard Corporation, a leading provider of secure ID solutions, announced a follow-on purchase order valued at $2.8m to supply secure identity cards for the Kingdom of Saudi Arabia's National ID Card program. This brings the total value of orders received for the program since April 1, 2008 to $7.4m. The $2.8m order is for the continued supply of optical smart cards to be issued via offices in cities throughout Saudi Arabia. Deliveries under the order are expected to be completed during the current calendar year. The Saudi Arabia National ID card is a wallet-sized card that features LaserCard's optical memory security and a contact chip on one side, and the cardholder's picture and demographic information on the other. The optical memory adds an unsurpassed level of digital and visual security to the card. (LaserCard 05.08)

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4: ISRAEL MACRO-DEVELOPMENTS

4.1 Knesset Approves Clean Air Act

Israel's most comprehensive environmental legislation to date, the Clean Air Act, passed into law on 22 July. Three years and two months in the making, the law passed by a majority of 39 with no dissensions after intense negotiations brought the government on board. The law imposes some level of obligation for enforcement on no less than 11 ministries and will go into effect at the beginning of 2011. The bill was initially proposed in 2005 by former MK Omri Sharon (Likud) in conjunction with the Israel Union for Environmental Defense (IUED); after 20 marathon sessions in committee, the 97-clause legislation enshrines in law all aspects of reducing and preventing air pollution.

The law comes at a time when air pollution has become a serious problem in Israel. Most large cities suffer from it, especially in the Dan region. According to the IUED, one in five children there suffers from an air pollution-related illness. More than 1,100 people a year reportedly die from air pollution in the Dan region alone. Tel Aviv ranks third in Europe in air pollution, behind Bucharest and Krakow. Air pollution rates in Israel's biggest metropolis exceed the minimum standards adopted in Europe 109 days a year. Concerted, coordinated effort should be possible for the first time with the passing of the Clean Air Act. The law standardizes matters in several related areas: planning, monitoring, standards and enforcement.

The law demands that the government, led by the Environmental Protection Ministry, create a national multiyear strategy with short- and long-term goals for reducing air pollution, to be updated every five years. The plan must contain clear goals and a time line for achieving them. The law also mandates that the ministry report to the Knesset on a regular basis how well the government is implementing the act. At present, there is no national, air-quality monitoring system; instead, monitoring is conducted on a partial basis. The Act mandates a standardized national system of monitoring. The Act also empowers the environmental protection minister to set standards for acceptable pollution amounts as well as potential pollutants, such as types of gas. The minister will now have the authority to determine how much pollution factories should be allowed to emit and will issue permits accordingly. In addition, pollution from cars will also be regulated. A comparison chart ranking cars' pollution rates will also be created for public perusal.

The law rises and falls on its enforcement, of course. The new Act vastly increases both the ministry's and local authorities' enforcement capabilities. For example, the ministry can now close down any factory which exceeds pollution standards. In fact, the Act strengthens all aspects of enforcement of green laws on the part of the ministry and local authorities. Polluters could receive fines varying from NIS 100,000 to NIS 1 million and could be imprisoned for as long as two years. The law also strengthens administrative oversight of all matters concerning air pollution. (JP22.07)

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4.2 Knesset Promotes Plastic Bags Bill

On 30 July, the Knesset plenum passed the first reading of a series of new environmental laws, aimed at reducing pollution and protecting Israel's natural resources. Along with new, tougher administrative sanctions against corporate polluters, the legislature approved a new law banning stores from giving away free plastic shopping bags. The plastic bag bill prohibits stores, including supermarkets, from giving away the familiar double-handled plastic bags used to carry products home. The ban, under discussion for months, finally passed the first stage of approval, and it awaits two more readings until it is enacted as a law. Under the new bill, stores would be permitted to sell bio-degradable bags at the cash register. The ban on free bags would not apply to the smaller bags used to collect produce, which customers would be able to continue to take for free. This bag bill is a weaker version of a proposed ban on all distribution and sale of the bags. The bill also calls on the Environmental Protection Ministry to oversee that all such bags that businesses sell be biodegradable.

In addition to the law on plastic bags, the Knesset approved a new set of penalties for existing environmental laws, including a tougher schedule of sanctions against businesses and organizations found to be illegal polluters. The harsher penalties introduced under the so-called “polluter-pays” law would hit corporate polluters with administrative sanctions up to NIS 2.4 million, require polluters to pay for environmental restoration, and impose a fine equal to the economic advantage accrued by the polluter in a particular instance of violation. The polluter-pays law would also update laws, originally implemented by the British Mandate in 1936, that enforce the protection of beaches and forests. A law prohibiting the uprooting of trees, for instance, will now carry a penalty of almost NIS 50,000. (IsraelNN31.07)

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4.3 Negev to Get Alternative-Energy Center

On 4 August, the socioeconomic cabinet approved a plan by the Industry, Trade - Labor Ministry to establish a technology center for the research and development of renewable energy in the Negev at an investment of $20mn. Under the terms of the program, developed in cooperation with the Finance, Environmental Protection and National Infrastructures ministries, the R-D center will be set up in the Negev under the auspices of the Chief Scientist's Office over a period of five years. The research center will focus on the development of renewable- and alternative-energy sources for the production of electricity, such as solar and wind energy. The program is based on a research study by the Industry, Trade - Labor Ministry and the Environment Protection Ministry identifying the areas within the environment-technology sector that have the potential of boosting Israeli exports. The Trade Ministry said Israeli exports generated from renewable-energy technology were $110m in 2007. Under the framework of the inter-ministerial, five-year target plan, renewable-energy exports are foreseen to grow to $1b a year within 10 years. In addition, R-D investment is expected to increase to $350m during the 2008-2012 period of the program. (JP05.08)

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5: ARAB STATE - PAKISTANI DEVELOPMENTS

5.1 Arab Report on Unemployment Blames Foreign Workers

The first comprehensive report on labor and unemployment in the Arab world was issued by the Arab Labor Organization [ALO]. The report, extending over 570 pages, provides detailed analyses on unemployment, which has reached a crisis stage due to the constricted opportunities for employment in governments and the reluctance of young people to join in the private sector due to the incompatibility between the course of their studies and the requirements of the market. The unemployment rate in the Arab world is expected to rise to 14%. However, the Secretary-General of the Arab League noted that unemployment rates among young people reach 66% in some Arab countries. The report points out that one of the reasons for increasing unemployment is the limited opportunities open to Arab workers because of the dependence of the Arab world on foreign workers, a dependence which has become a big social and security problem in the employing countries. This is because many of these workers are demanding the rights of citizenship given their length of service in the Gulf countries and the international pressures on these countries [to be more accommodating to the foreign workers]. The report indicates that the Arab world is witnessing the highest population growth in the world with 2.4% annually, causing the population to increase to 340 million presently but projected to reach 500 million in 2025, which will place enormous pressures on the Arab economies. The report criticized the low level of intra-regional trade, which constitutes 8% of total regional trade. The situation calls for the creation of a joint Arab market, which would serve as the nucleus for intra-regional trade. The report noted that the Arab countries should increase economic growth from 3% to 7% and pump $70b into their economies to create about five million jobs a year. (al-Sharq18.07)

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5.2 Central Bank of Jordan Says Economy Doing Well

Central Bank of Jordan (CBJ) Governor Toukan announced on 22 July that a committee will be formed to issue periodic reports on the country's economic, fiscal and monetary conditions. He told journalists that the reports aim at providing accurate information on the country's economic performance, noting that citizens may be misled by unsubstantiated statements that sometimes get published without scientific analyses, studies and figures. According to Toukan, Jordan's economic performance for the first half of this year was “good, the future is promising and economic indicators are positive”. “But there is the question of inflation, in particular, which needs to be dealt with,” he said. Inflation rate for the first half of this year reached 13.31% as the consumer price index rose to 136.61 points from 120.56 points during the first half of last year, according to the Department of Statistics (DoS) figures. A study conducted by the CBJ on inflation components in the Kingdom revealed that 53% of them are imported, including oil, food and other staples. The CBJ fiscal tools can serve to contain inflation, Toukan affirmed, acknowledging that the measures taken towards this end do not provide instant solutions. At present, the CBJ reserves of foreign currencies have reached $7b, which attests to the soundness of the country's banking system, the bank's chief remarked. In reply to a question on the impact of higher interest rates to contain inflation, Toukan said this is not the only factor to tackle inflation. Last month, for example, the CBJ raised the compulsory cash reserves from 8% to 9% as a step to curb inflation, he elaborated. Also, the government has lowered the customs duties and sales tax that were imposed on several essential items and set up several parallel markets to increase competitiveness, in a bid to lower prices. (JT23.07)

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5.3 Jordan To Launch Huge Water Project

Jordan announced on 27 July that a Turkish firm will begin work next week on a near-billion-dollar project to supply the capital with water from an ancient southern aquifer. Jordanian Water Minister Abu Soud said GAMA Energy will launch the $990m plan to extract 100m cubic meters (3.5b cubic feet) of water a year from the 300,000-year-old Disi aquifer 325 kilometers (200 miles) south of Amman. Infrastructure work on the much-delayed project in the desert kingdom is expected to take around four years, the state-run Petra news agency quoted Abu Soud as saying. This will include using 250,000 tonnes of steel and digging 55 wells to pump water from Disi to Amman, where per capita daily consumption of its 2.2-million population is 160 liters (42 gallons), he said. Jordan's overall population of nearly six million is growing by almost 3.5% annually, and it is one of the world's 10 most water-impoverished countries, relying mainly on rainfall to meet its needs. The demand for water is constantly rising in Jordan, which has seen an influx of around 750,000 Iraqi refugees since the US-led liberation of its eastern neighbor in 2003. Current water consumption is some 900m cubic meters (31.5b cubic feet) per annum. The water ministry says Jordan, where 92% of the land is desert, will need 1.6b cubic meters (56b cubic feet) of water a year to meet its requirements by 2015. (JT27.07)

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5.4 Jordan Plans Regional Railway - Oil Link With Iraq

Jordan is seeking $6b from international donors to build a railway link with its neighbors and plans to import Iraqi crude oil by rail, the transport ministry said on 27 July. The railway would link Jordan's Red Sea port of Aqaba in the south with the Syrian border, through Amman and then the industrial city of Zarqa. Covering more than 1,000 kilometers, the railway would also link the Saudi and Iraqi borders with Jordan's northern city of Irbid as well as the northeastern towns of Mafraq and Azraq. The Ministry report recommended that Iraqi crude oil be carried via rail, scrapping plans to build a $260m pipeline between the two countries. Amman and Baghdad agreed last year to study the possibility of building an oil pipeline from Iraq's Haditha pumping station to Aqaba. At the end of 2004, Jordan said it would conduct a feasibility study into building a pipeline between Haditha and Jordan's sole refinery in the industrial city of Zarqa, northeast of Amman. The kingdom was entirely dependent on Iraq for its oil before the 2003 toppling of Saddam Hussein, importing 5.5m tonnes a year by road, half of it free of charge and the rest at preferential rates. In June, Iraq agreed to renew a 2006 deal to provide Jordan, which imports 95% of its energy needs, with between 10 and 30% of its daily oil requirements of around 100,000 barrels at a preferential price. (AFP28.07)

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5.5 Gulf Public Spending To Exceed $300b in 2008

Persian Gulf states will allocate about 25% more cash this year for public spending as their oil revenues cross $600b, Gulf Finance House said. Wealth in the world's biggest oil-exporting region has galloped as oil prices surged more than six-fold in as many years, giving Gulf governments windfalls to spend on economic diversification and social programs. Total government expenditures in Saudi Arabia and five other regional oil producers should hit about $300b this year, compared with an estimated $240b last year, Gulf Finance said in a research note. About $2 trillion worth of private sector projects are also under construction or planned in the oil-producing region, the Bahraini Islamic investment bank added. The combined size of Gulf states' nominal gross domestic product will surge past $1 trillion this year on an oil price windfall. The region's total crude export revenues, including Qatar's natural gas exports, will surge 65% to $660b this year, the poll of 14 economists showed. But expansionary state spending in the Gulf is one of the factors stoking inflation at record and near-record peaks, and currency pegs to the dollar in most Gulf states have constrained their ability to fight it. As the governments rake in oil revenues, meanwhile, the populations are also getting wealthier. Per-capita income in Qatar, the world's top exporter of liquefied natural gas, is forecast to surge 23% this year to $96,484 before touching $110,632 next year - second only to Luxembourg - Gulf Finance said. The IMF projects Luxembourg's per-capita income at $117,231 this year and $122,394 next year, it added. (GFH02.08)

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5.6 Foreign Investment in GCC Rockets

Foreign investment into the UAE hit a high of $19.4b in the past three years, according to latest figures from the World Bank. Capital flows into Gulf oil producers have rocketed to nearly $59bn over the past three years. Of this, the major portion went to Saudi Arabia, which received around $43.1b. Foreign direct investments (FDI) during 2005-2007 were more than eight times the FDI flow into the GCC during the previous nine years, the World Bank said. Saudi Arabia and the UAE, which have the bulk of the investments, have been locked in reforms to diversify their oil-reliant economies by opening up most of their sectors, privatizing public enterprises and expanding their industries. Their combined FDI of $62.5b surpassed the total FDI in the GCC and the whole Middle East and North Africa. The report said some countries recorded negative growth in FDI inflow. It showed that Kuwait was the main victim as it recorded higher capital outflow during the past three years, standing at around $19.1bn, which depressed the combined Gulf FDI. Qatar ranked third with FDI totaling around $10.7bn. Oman recorded relatively small FDI inflow, while Bahrain attracted around $3.9b. But there was a capital outflow of nearly $100m in 2005. The World Bank attributed the sharp rise in FDI in the GCC and some other Arab countries to reforms and high economic growth due to the surge in oil prices. (AB28.07)

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5.7 Kuwait Inflation Soars To 11% on High Food Prices

Kuwait inflation jumped to a record 11.4% in April, accelerating for a fifth straight month as high housing and food costs continued to spur price rises. April inflation advanced from 10.2% in March, government data showed on 29 July. A 14.87% year-on-year surge in housing costs in each of the two months led the inflation rise, while food costs rose 11.93% in April and 10.22% in March. Struggling to fight inflation while insulating its population from rising prices, the Kuwaiti government has raised wages of citizens twice this year, while introducing new rules on consumer lending and property trading to control prices. The Gulf state dropped its dinar currency's peg to the dollar last year in a bid to slow the rate of imported inflation since it pays for about a third of its imports in euros. But price pressures continue to plague states across the world's biggest oil-exporting region, where economies are soaring on a more than six-fold rise in oil prices since 2002. A global food crisis and high demand for properties is stoking prices across the Gulf. Inflation in Oman hit a record 13.2% in May, while in top oil exporter Saudi Arabia, prices rose at a more than 30-year peak above 10% in April. Kuwait's All Items Consumer Price Index advanced to 129.0 points on April 30 compared with 115.8 points a year earlier, the government data showed. In March, the index was at 128.30 points, up from 116.4 points a year earlier. The Gulf state's central bank tightened bank curbs on consumer lenders to control credit growth in March. (GDN30.07)

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5.8 Kuwait to Triple Japan Investment to $48 Billion

Kuwait Investment Authority (KIA), the Gulf state's sovereign wealth fund, plans to as much as triple investments in Japan to $48b, the finance minister said on 3 August. Kuwait currently invests about $15 to $16b in Japan, said Mustapha Al-Shamali, who is currently on a tour of Asia with Kuwaiti Prime Minister Sheikh Nasser Al-Mohammad Al-Sabah. The boost in investments would follow an agreement to avoid double taxation between the two countries, which would help strengthen investment flows. Both countries had agreed in principle to sign the taxation deal, he added, without saying when a final deal would be reached. The KIA was looking at investments in Japan's real estate sector and stock market, as well as other direct investments. The wealth fund is also studying how to enhance its partnerships with European firms expanding into China, including German carmaker Daimler. The KIA owns 7.6% of Daimler. KIA is also studying investment opportunities in South Korea. (KUNA03.08)

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5.9 Bahrain Inflation Steady At 3.1% in June

Annual inflation in Bahrain was steady at 3.1% in June, while month-on-month consumer prices rose 0.95% on higher housing costs, government data showed. Rising global food prices and soaring rents have spurred price rises across the Gulf, the world's top oil-exporting region, where economies are booming on a more than six-fold rise in oil prices since 2002. Price rises in Bahrain, the smallest Gulf economy, are the slowest in the region. Annual inflation has crossed 10% in Saudi Arabia, Qatar, the United Arab Emirates, Oman and Kuwait this year. The month-on-month rise in inflation - the highest this year - was due to a 1.5% in housing and utility costs, the data showed. Bahrain's consumer price index rose to 106.5 points on June 30 compared with 105.5 points at the end of May. Food prices eased for a second month in Bahrain in June, falling 6% from May, the data showed. Like most of its Gulf neighbors, Bahrain pegs its currency to the weak dollar, driving up import costs. In response to rising prices, Bahrain said in June it would spend $1.3b a year on subsidies for food and fuel to offset the impact of inflation on its population. (Reuters29.07)

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5.10 Bahrain-Qatar Causeway Work To Begin

It was announced that work on the $3b Bahrain-Qatar causeway, the world's longest man-made bridge, will start in January 2009 and will open for traffic by 2013. The conceptual designs for the Friendship Bridge will be completed in October and basic designs by the end of December. The 40 km project will include 22 km of bridges and an 18 km embankment. The 25 km Bahrain-Saudi causeway has 12 km of bridges. The go-ahead for the dream project was given following the signing of an agreement by the causeway foundation with the Qatar-Bahrain Causeway Consortium (QBCC) led by Paris-based Vinci Construction Grand Projects. The landmark agreement was signed in Manama on May 6 in the presence of Crown Prince and Deputy Supreme Commander Sheikh Salman bin Hamad Al Khalifa and Qatari

Crown Prince Sheikh Tamim bin Hamad Al Thani. Besides Vinci, the consortium includes Hochtief from Germany, CCC from Athens, QDVC and Middle East Dredging Company. Work on the project is expected to start on both sides simultaneously. The bridge section will be prefabricated onshore and each bridge will be 80 m long. The expressway will be 35 m wide, with two traffic lanes and an emergency lane on each direction. Two cable-stayed bridges will be built over shipping channels, with a span length of 225 m. Another highlight of the construction is the provision for telecommunication and electricity lines. The fiber optic cables will be inside the bridge girders. (GDN02.08)

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5.11 Economic Importance of US Military Base in Bahrain

The US naval presence in Bahrain goes back to 1946 when the country was a British protectorate. According to Admiral Cosgrave, until recently the Bahrain headquartered commander of the 5th Fleet, the US naval base contributes $150m annually, or about 1.5% of Bahrain's GDP. However, this figure does not include the spending by 3,000 soldiers and naval personnel in the markets, restaurants, coffee shops, jewelry stores and gift shops, which brings the total contribution to the GDP to a much higher figure. Moreover, the families and dependents of the US personnel in Bahrain, who were withdrawn from the country in 2004 because of political tensions, may be returning. In fact, many families are given a tourist visa for two weeks to visit the kingdom. (al-Sharq20.07)

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5.12 Abu Dhabi's First Quarter Non-Oil Exports Up By More Than Half

Abu Dhabi's non-oil exports rose by 57% in the first quarter of this year, propelled by shipments of plastic and rubber, metals and audiovisual equipment, the emirate's Department of Planning and Economy (DPE) said on 26 July. The rate of growth in non-oil exports was double the growth of Abu Dhabi's imports, which was 26%. The total value of imports still dwarfed exports by 12 times, the DPE reported. Foreign trade as a whole, excluding oil and gas, grew by 27% in the first quarter to $5.9b. Saudi Arabia is the emirate's top trade partner for non-oil goods, with Japan, Germany and the US also figuring prominently. Increasing non-oil exports is a long-term goal of the Emirate, where public finances are now dominated by oil export receipts. The Government hopes the non-oil sector will account for more than half of all economic activity by 2025. (DPE26.07)

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5.13 Oman Places Ban On Foreign Workers

On 27 July, Oman announced that a number of jobs have been put off limit to foreign workers under new rules aiming to provide more employment opportunities to nationals of the Gulf Arab state which relies heavily on foreign labor. The Ministry of Manpower has begun implementing the restriction by not issuing permits for private sector companies operating businesses such as import and export and clothing to hire foreign workers. The ban does not apply to banks or oil companies. Like other Gulf Arab oil-exporting nations, non-OPEC Oman relies on foreign workers mainly from Asia and other Arab countries. According to official statistics, about 25% of Oman's total population of 2.8 million people are foreign workers. The economy ministry has allocated $714.3m in the 2008 budget as a grant to the private sector to train nationals. (Reuters27.07)

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5.14 Saudi Inflation Climbs to 10.6%

Saudi Arabia's annual inflation rose to 10.6% in June compared with 10.4% in May, as food and housing costs climbed, the official Saudi Press Agency (SPA) reported. The cost of living index for the largest Arab economy was 115.5 points on June 30 compared with 115 points at the end of May. The index was 104.4 points on June 30, 2007, according to data of the Central Department of Statistics. Food and beverage costs advanced 15.8% compared with an increase of 15.1% in the previous month, while the rental index - which includes rents, fuel and water - soared 18.7% versus 18.5% in May. (SPA03.08)

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5.15 Egypt Has Significant Volume of Trade in Narcotics

According to an official Egyptian study, the volume of local trade in narcotics reached $3.43b. The study, carried out by the Egyptian bureau of statistics, warned about the negative impact on the Egyptian economy since the expenditure on narcotics amounts to 2.5% of the national income, estimated at $137.82b. The bureau said that the amount spent on narcotics in 2007 was equal to 79.5% of Suez Canal revenues, 32.8% of Egyptian exports, 41.3% of tourism revenues and 32.7% of oil revenues. (al-Sharq al-Awsat17.07)

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5.16 Moroccan Economy Would Achieve Growth Rate of 5.3% in 2009

The Moroccan economy should achieve a growth rate of 6.2% in 2008 and 5.3% in 2009, despite global growth slowdown, the High Planning Commission (HCP) said. National economy benefited in 2008 from the consolidation of activities in the building and public works sector, processing industries, mining, tourism, telecommunications and other services, as well as improving cereal production during the 2007-2008 campaign, said the HCP in a note on the state of national economy in 2008 and growth prospects for 2009. The prospects for national economy development in 2008 and 2009 confirm the resilience of the growth of secondary and tertiary activities with respect to fluctuations in the agricultural sector, says the HCP adding that since 2004, non-agricultural activities have increased at a pace of about 5.5% per annum, while the value of the primary sector has increased by 1.3% per year. In 2008, non-agricultural activities would increase at a rate of 5.2% instead of 6.2% a year earlier, said the HCP adding that the growth of national economy would be accompanied by the control of domestic prices thanks to the expansion of expenditure on compensation which will exceed $5.5b at the end of 2008 instead of $2b initially identified in the finance bill.

According to HCP, the inflation rate, would reach 2.6% in 2009 and 3.1% in 2008 instead of 3.8% in 2007. In terms of sectoral activities, the secondary sector would achieve a growth of 5.2% instead of 6.6%, representing a slight slowdown due to the slow recovery of energy activity and moderation in the pace of growth of construction activity. The tertiary sector would generate, for its part, an increased added-value of 5.3%, while the primary sector, supported by a cereal production of 50m quintals instead of 20m recorded in 2006-2007, would achieve an added-value up 9.7% in 2008 instead of a decrease of 20% in 2007. Moroccan economy is affected by an international juncture marked by an unprecedented rise in oil products, raw materials and food products, said HCP, adding that world demand towards Morocco would be slowing down for the second year in a row. Its development pace would reach 4.1% in 2009 instead of 5.4% in 2008 and 7.6% in 2007. In 2009, non-agricultural activities would register an increase of 5.6% instead of 5.2% in 2008, while the secondary sector activities would increase by 5.9% against 5.2%. Meanwhile, the tertiary sector would increase by 5.4% against 5.3%, while the added value of the primary sector would increase, based on a cereal production of approximately 60m quintals during the 2008-2009 campaign, by nearly 3.5% instead of 9.7%. The final national consumption would achieve a volume growth of 5.5% and would contribute by 4.2% to economic growth in 2009 against 3.6% in 2008, concludes the HCP. (MAP10.07)

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5.17 Moroccan Government Unveils 2008-2012 Strategy to Face Global Economic Situation

On 22 July, the Moroccan Economy - Finance minister Mezouar in Casablanca the main aspects of the 2008-2012 strategy for socio-economic development to cope with the current global economic situation. Speaking at a conference on the current economic situation, Mezouar said despite a gloomy global economy that is characterized by soaring prices of raw materials and energy, notably oil, Morocco continues to achieve major steps forward at all levels. The North African country needs an innovator private sector to reduce the unemployment rate and poverty rate that currently stands at 21% of the total population, he said. Highlighting the economic prospects of Morocco in 2008, the minister assured the economic players that inflation will remain under control in a range of 2%, the budget deficit will be reduced to 3% of GDP and global economic growth will reach 6.8%. (MAP23.07)

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6: TURKISH, CYPRIOT, GREEK - BULGARIAN DEVELOPMENTS

6.1 Turkish Foreign Trade Deficit Rises Above Expectations

During the month of June, Turkish exports came in at $11.8 bn up by 31% y-o-y, whereas imports came in at $19.5bn, up by 36.4%. Therefore, Turkey's foreign trade deficit was $7.7 bn, an increase of 45.7% in y-o-y terms. The consensus for trade deficit was $6.8bn. Imports figure came in higher than the consensus due to fast rise in crude oil prices. Imports of crude oil and natural gas and oil products soared by 81.4% y-o-y. Total exports in the first half of the year reached $68.8 bn, while imports were $105.8 bn. Imports of investment goods increased by 11.5% in June over the same month of 2007, whereas imports of intermediary goods and consumption goods rose by 43.1% and 34.3%, respectively. Considering the foreign trade deficit in June, current account balance is expected to give a deficit of $45-46 bn in y-o-y terms. (BGC01.08)

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6.2 Russia Becomes Turkey's Top Oil Supplier

Turkey, which already depends on Russia to supply a large portion of its oil, has also become reliant on the country for natural gas. In 2007, out of a total of 23.4 million tons of crude oil imports, 9.3 million tons was provided by Russia, rendering this country Turkey's biggest oil supplier. According to data from the Ministry of Energy - National Resources and the Turkish Petroleum Refineries Corporation (TUPRAS), Iran is the second biggest oil supplier for Turkey, providing 8.9 million tons last year, followed by Saudi Arabia with 3.3 million tons. As Turkey's only refinery, TUPRAS, owned by Koc Holding, carries out Turkey's crude oil imports. Turkey meets the majority of its oil and natural gas demand through foreign markets. However, more attention is being paid to domestic production in an effort to lessen dependency on foreign oil and gas, with the Turkish Petroleum Corporation (TPAO) supplying 9% of demand. For natural gas production, this percentage is even smaller. A number of experts have noted the need for diversification of energy source countries based on strategic grounds. To achieve this, oil import and trade was liberalized in January 2005, and licensed companies were allowed under the new arrangement to import from any supplier. TUPRAS, which reduced the amount of oil purchased from Libya in the last two years, sought to fill the gap in supply this created by importing more from Russia. A similar scenario has been observed in imports of natural gas. The growing need for natural gas is being met by Russia after Iran proved unreliable by restricting gas flow more than once during past winters. The state-owned Turkish Pipeline Corporation (BOTAS) makes natural gas purchases mainly from Russia. Last year, 36.4 billion cubic meters of natural gas was imported to meet domestic demand. Of this amount, 23.1 billion cubic meters came from Russia and 6.1 billion from Iran. The remaining 7.2 billion cubic meters was procured from Azerbaijan, Algeria and Nigeria. (Zaman30.07)

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6.3 Istanbul Rates As World's 23rd Most Expensive City

Istanbul has been ranked the world's 23rd most expensive city in a recent survey performed by international human resources and financial consulting firm Mercer. The 2008 Cost of Living Survey by Mercer covers 143 cities across six continents and measures the comparative cost of over 200 items in each location, including housing, transport, food, clothing, household goods and entertainment. It is the world's most comprehensive cost of living survey and is used to help multinational companies and governments determine compensation allowances for their expatriate employees. Istanbul had placed 38th in the same survey last year. Mercer Turkey noted that living in Turkey is becoming more expensive as is typically observed in developing countries with rapidly growing economies that are combating inflation. In addition, the overvaluation of the lira against the dollar, especially in the last four years, has contributed to a relative increase in prices. (Zaman25.07)

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6.4 Turkey Pushes the Button For First National Tank Project

The Undersecretariat for the Defense Industry (SSM) has launched Turkey's first national tank manufacturing project, carried out in cooperation with Koc Holding's Otokar and the South Korean Defense Ministry. Under the project, Otokar will build modern tanks using only Turkey's resources. Turkey's Aselsan, the Turkish Mechanical and Chemical Industry Corporation (MKEK), Roketsan and South Korea's Hyundai Rotem will be participating in the project as subcontractors. Prime Minister Erdogan, Koc Holding CEO Koc, South Korean Defense Minister Lee, ministers and senior managers of the collaborating companies got together on 29 July at the Otokar plant in Sakarya for a signing ceremony. Turkey's first combat tank produced completely in the country, Altay, will be completed in 78.5 months. However, Erdogan requested to make the effort to shorten the time period for the tank's completion. The prime minister underlined that Turkey plans to manufacture 50% of the Turkish Armed Forces' (TSK) artillery needs itself by 2011. South Korea is providing technological support for the tank. (Zaman30.07)

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6.5 Stavrakis Projects Cyprus to Have 5% Inflation in 2008

Inflation in Cyprus will accelerate this year to 5%, higher that the government's previous forecast, fuelled by higher oil and food prices, Finance Minister Stavrakis said. Inflation averaged 4.6% in the first half of the year driven by a near total dependence on oil imports and a greater weighting of foods in the price index. It hit a five year high of 5.47% last month and national inflation was 2.4% in 2007. The 5% forecast is 1.4% higher than the EU average. The minister said about 60% of inflation was due to exogenous factors and only 25% spurred by demand. Cyprus imports about 95% of its fuel, compared with an average of 60% for the other 26 European Union countries. Soaring consumer prices prompted the European Central Bank to raise its key interest rate to a seven-year high of 4.25% this month. Crude prices have almost doubled in the past year, pushing the euro-area inflation rate to the highest in more than 16 years in June. Economic growth will ease to 3.7% from 4.4% in 2007, as the global slowdown hurts the island's financial services and construction industries. Growth will slow as a weaker pound sterling and falling house prices in the UK hurt travel and investment in Cyprus. Increased government costs to import water to the drought-stricken island will also hurt finances. Slower growth will reduce revenue and shrink the budget surplus to between 0.1% and 0.6% of GDP, from 3.3% last year.

The island's economic growth projections for 2008 were unchanged at 3.7% from 4.4% in 2007. Unemployment will remain 3.9%. The public debt will drop to 48.5% in 2008 – 11.4% less than the previous year. The minister said key to Cyprus' economic well-being is to boost productivity while transforming the island into a regional service centre with emphasis on Russia, Ukraine and emerging markets including China and India. Improving government finances is a top priority for the ministry and Stavrakis has proved this by phoning up the banks to get a better deal for money deposited from the social insurance fund. He secured a better rate of 6% for those deposits that were only fetching interest of 4.75%. (Cyprus Weekly 18.07)

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6.6 Bulgarian Economy to Grow 6.5% in 2008

The Bulgarian economy is going to grow 6% in 2008 and 6.5% in 2009, according to the Quarterly Forecast on the Eastern EU Member States of the International Center for Economic Growth. According to the data of Bulgaria's National Statistical Institute, the country's growth in 2007 was 6.5%. The ICEG forecast points to the fact that in the second quarter of 2008, Bulgaria's exports grew by 9.2% compared to 5.8% growth for the imports. It also predicts that Bulgaria's inflation in 2008 will be 11.5% and 7.7% in 2009. The risk factors for the Bulgarian economy according to the ICEG are rising oil prices, the unstable international financial markets and the economic slowdown in the EU. ICEG European Center is an independent economic research institute based in Budapest, focusing its activities on research, macroeconomic and sectoral analyses and forecasts. (TSW26.07)

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6.7 Bulgaria Approves South Stream Pipeline

On 25 July, an overwhelming majority of Bulgarian lawmakers passed legislation to move forward on construction of the South Stream gas pipeline. By a vote of 140 to 47, with two abstentions, the Bulgarian Parliament ratified the deal to construct a pipeline that will transport natural gas from Russia to southern Europe. South Stream is a rival pipeline to the Nabucco pipeline, which is planned to reach from Turkey to Austria via Bulgaria. The European Union and the United States back Nabucco as a means to ease Europe's dependence on Russian energy. Russian energy giant Gazprom will form a 50-50 joint venture with the state-owned Bulgargaz to construct and manage the pipeline in Bulgaria. South Stream will have a maximum transport capacity of 1.1 trillion cubic feet of natural gas per year. Russia said it would maintain full capacity for the pipeline once construction is completed. (SNA25.07)

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6.8 Bulgaria Food and Drink Report for 2008's Third Quarter

Research and Markets announced the addition of the "Bulgaria Food and Drink Report Q3 2008" report to their offering. This Bulgarian Food and Drink Report provides independent forecasts and competitive intelligence on Bulgaria's food and drink industry. This Report for Q3/08 places Bulgaria in a modest eighth place within the 14 food and drinks markets in Central and Eastern Europe (CEE). The country has benefited tremendously from the lead up to its European Union (EU) accession, both in terms of financial aid and closer economic integration, which has boosted its food and drink and agricultural industries. Food consumption, alcohol and tobacco sales have all increased in recent years, despite the fact that the population is gradually decreasing. This trend shows the opportunities that exist for food and drink manufacturers, as consumers are increasingly interested in new food trends and prepared to pay more for premium products at the expense of cheaper commodity items.

Foreign companies are recognizing such opportunities. To this end, in April 2008, Carlsberg Bulgaria announced that it will boost the monthly output capacity by 40,000 hectoliters (hl), as part of its longer-term aim to modernize its regional production facilities. The Bulgarian upgrade – of the Blagoevgrad facility, which produces Pirinsko Pivo –

is expected to be completed shortly, further improving the 12% rise in beer sales in January and February 2008. In the meantime, its Danish parent company Carlsberg has added energy drink Battery to its Bulgarian portfolio, in response to rising demand for such beverages. Domestic companies are also becoming more aggressive in terms of their expansion strategies. In March 2008, local brewer Boliarka announced that it will start exporting its beer to the US. The company currently exports around 6% of its annual output, with most of its destined for Romania. EU integration has increased export opportunities not only because of better trade links, higher exposure to Bulgarian products and tourism, but also due to the rising number of Bulgarian expatriates living elsewhere in Europe.

In the food industry, in December 2007, French poultry processing company Duc created a joint venture (JV) with Bulgarian poultry producer SVS 98, in which it will hold a 40% stake. The JV will market top-grade fresh chicken in Bulgaria, targeting rising disposable incomes and a shift towards consumer preference for quality and premium foodstuffs. The market is likely to continue experiencing such dynamism, despite current spending on food and drink being low in regional terms, as economic conditions improve. (25.07)

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7: GENERAL NEWS AND INTEREST

*ISRAEL:

7.1 Tisha B'Av to Be Observed

This coming 9/10 August, Tisha B'Av, the Fast of the Ninth of Av, will be observed in Israel and around the world. It is a day of mourning to commemorate the many tragedies that have befallen the Jewish people, many of which coincidentally have occurred on the ninth of Av. Tisha B'Av means "the ninth (day) of Av." Tisha B'Av primarily commemorates the destruction of the first and second Temples, both of which were destroyed on the ninth of Av (the first by the Babylonians in 586 B.C.E.; the second by the Romans in 70 C.E.). Although this holiday is primarily meant to commemorate the destruction of the Temple, it is appropriate to consider on this day the many other tragedies of the Jewish people, many of which occurred on this day, most notably the expulsion of the Jews from Spain in 1492.

Tisha B'Av is the culmination of a three week period of increasing mourning, beginning with the fast of the 17th of Tammuz, which commemorates the first breach in the walls of Jerusalem, before the First Temple was destroyed. During this three week period, weddings and other parties are not permitted, and people refrain from cutting their hair. From the first to the ninth of Av, it is customary to refrain from eating meat or drinking wine (except on the Sabbath) and from wearing new clothing.

The restrictions on Tisha B'Av are similar to those on Yom Kippur: to refrain from eating and drinking (even water), washing, bathing, shaving or wearing cosmetics, wearing leather shoes and engaging in sexual relations. There is also a prohibition to refrain from studying Torah, save for those sections relating to Jerusalem's destruction. Work in the ordinary sense of the word is also restricted. People who are ill need not fast on this day. Many of the traditional mourning practices are observed: people refrain from smiles, laughter and idle conversation, and sit on low stools. In synagogue, the book of Lamentations is read and mourning prayers are recited. The ark (cabinet where the Torah is kept) is draped in black.

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7.2 Tu B'Av - A Day of Love

Tu B'Av, the 15th Day of Av (which falls this year on 16 August) is both an ancient and modern Jewish holiday. Originally a post-biblical day of joy, it served as a matchmaking day for unmarried women in the second Temple period (before the fall of Jerusalem in 70 C.E.). Tu B'Av was almost unnoticed in the Jewish calendar for many centuries but it has been rejuvenated in recent decades, especially in the modern state of Israel. In its modern incarnation it is gradually becoming a Hebrew-Jewish Day of Love, slightly resembling Valentine's Day in English-speaking countries. The first mention of this date is in the Mishna, (compiled and edited in the end of the second century), where Rabban Shimon ben Gamliel is quoted saying, "There were no better (i.e. happier) days for the people of Israel than the Fifteenth of Av and Yom Kippur, since on these days the daughters of Israel/Jerusalem go out dressed in white and dance in the vineyards. What were they saying: Young man, consider whom you choose (to be your wife)…"

For almost 19 centuries- between the destruction of Jerusalem and the re-establishment of Jewish independence in the state of Israel in 1948 - the only commemoration of Tu B'Av was that the morning prayer service did not include the penitence prayer. In recent decades Israeli civil culture promotes festivals of singing and dancing on the night of Tu B'Av. The entertainment and beauty industries work overtime on this date. It has no formal legal status as a holiday; it is a regular workday, nor has the Israeli rabbinate initiated any addition to the liturgy or called for the introduction of any ancient religious practices. The cultural gap between Israeli secular society and the Orthodox rabbinate makes it unlikely that these two will find a common denominator in the celebration of this ancient/modern holiday in the foreseeable future.

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*REGIONAL:

7.3 Jordanian Olympic Participation with A Feminine Taste

Woman athletes took hold of Jordan's participation in the Olympic Games to be held in Beijing during Aug.8-24. The Jordanian delegation is headed by Lana Jagbeer, the first Jordanian woman ever to lead an Olympic delegation. Zeina Shaban (table tennis player) will raise the flag of Jordan at the opening ceremony to be the second Jordanian women raising the flag after HRH princess Haya Bint Al-Hussein at Sydney Olympics of 2000. Women dominance in the Olympics comes through the participation of four athletes Nadeen Dwani (taekwondo player), Zeina Shaban (tennis player) Razan Fareed (swimming), and runner Bara' Marwan, compared with three men Anas Hamoudeh (swimming), Ibrahim Bisharat (equestrian) and athlete Khalil Hanahneh. Jordanian Olympic delegations in the past were only concerned about participation not competition, thus making Jordanians' interaction with the Olympics less enthusiastic. But this year the delegation abandoned the idea of mere participation and adopted the slogan of Competition hoping to lead to the platform crown. (Petra02.08)

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7.4 Saudi Religious Police Ban Pet Cats - Dogs

Saudi Arabia's religious police have announced a ban on selling cats and dogs as pets, or walking them in public in the Saudi capital, because of men using them as a means of making passes at women, an official announced on 30 July. The head of the Commission for the Promotion of Virtue and the Prevention of Vice in Riyadh, known as the Muttawa, told the Saudi press that the commission has started enforcing an old religious edict. He said the commission was implementing a decision taken a month ago by the acting governor of the capital, Prince Sattam bin Abdul Aziz, adding that it follows an old edict issued by the supreme council of Saudi scholars. The reason behind reinforcing the edict now was a rising fashion among some men using pets in public "to make passes on women and disturb families," he said, without giving more details. Othman said that the commission has instructed its offices in the capital to tell pet shops "to stop selling cats and dogs". The 5,000-strong religious police oversees the adherence to Wahabism - a strict version of Sunni Islam, which also forces women to cover from head to toe when in public, and bans them from driving. (AFP30.07)

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7.5 Turkey's Highest Court Rejects Ban of Ruling AKP

Turkey's highest court has ruled against a proposed ban of the governing AKP party. A wafer-thin majority of the 11 judges decided to give the government a reprieve, while handing down a warning. The decision by Turkey's highest court on 30 July avoided plunging Turkey into a political crisis. The Constitutional Court in Ankara instead handed down a warning to the governing party. The presiding judge Hasim Kilic said after three days of deliberations those against the ban had narrowly won out. Six of the 11 judges had wanted to ban the AKP for allegedly trying to steer the country toward Islamic rule. The ban would have required the votes of seven justices. The court did, however, decide to strip the party of half of its state funding. The decision is a reprieve for Prime Minister Erdogan and his allies in the Islamic-rooted AKP. A ban would have triggered even more political turmoil in the country and would also have severely damaged Turkey's image as a democracy as the country seeks to join the European Union. The court case was the latest battleground in the power struggle between pious Muslims and the secular establishment. Tensions had increased after the AKP attempted to overturn a ban on the wearing of headscarves in universities, a law that was then overturned by the Constitutional Court. Prosecutors are currently preparing a case against a number of people, including former generals, accused of plotting to overthrow the government. The AKP, while socially conservative, has embraced many aspects of Western political and economic system and has steered the country towards many reforms. This combination had proved popular, with the party winning 47% in the general election last year. (Der Spiegel 30.07)

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8: ISRAEL LIFE SCIENCE NEWS

8.1 Teva Completes Acquisition of Bentley Pharmaceuticals

Teva Pharmaceutical Industries has completed its acquisition of Bentley Pharmaceuticals, which will operate in Spain under the Teva name. At closing, Bentley consisted solely of its generic pharmaceutical operations, following the spin-off of its drug delivery business to its stockholders on June 30, 2008. The aggregate purchase price paid by Teva was approximately $360m in cash, or approximately $14.82 per Bentley share. As one of the fastest growing markets in Europe, Spain was identified as a target market in the Company's 5-year strategic plan. This acquisition is expected to provide Teva with a platform to capture a leading position in the Spanish generics market. As previously announced, Teva expects that the acquisition will become accretive within 12 months of closing. Teva initially established a presence in Spain in 2004. Since then, TEVA Genericos Espanola, S.L. has introduced more than 60 products targeted both to hospitals and pharmacies. Teva is currently the fourth largest generic company in Spain in the hospital market. Teva, through the combination of its existing operations in Spain and Bentley's operations, will offer the Spanish market over 170 products (in approximately 465 presentations) and will have over 45 products pending generic product registrations. Teva Pharmaceutical Industries (http://www.tevapharm.com), headquartered in Israel, is among the top 20 pharmaceutical companies in the world and is the leading generic pharmaceutical company. The company develops, manufactures and markets generic and innovative pharmaceuticals and active pharmaceutical ingredients. (Teva23.07)

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8.2 Health Ministry Chooses Kamada to Develop Snakebite Antiserums in Israel

Kamada announced that the Israeli Ministry of Health elected Kamada to be the exclusive developer and manufacturer of snakebite antiserums in Israel. The Israeli Ministry of Health will finance the entire project, including the development, planning and production of the snakebite antiserum and the establishment of an antiserum manufacturing facility. The estimated cost is $5m, which will be paid in installments to the Company throughout the duration of the agreement. The project is subject to the signature of a final agreement and is estimated to be completed within two years. After the completion of the project, Kamada will manufacture the antiserum for the Ministry of Health on an ongoing basis. Prior to signing a final agreement, Kamada will begin the first stages of development against an advance payment that will be transferred to the Company by the Ministry of Health. Kamada (http://www.kamada.com) is a public biopharmaceutical company that specializes in developing, producing and marketing a line of specialty life-saving therapeutics, using its proprietary chromatographic purification technologies. Several of these specialty therapeutics are licensed and marketed in more than 15 countries, others are currently undergoing advanced clinical trials. (Kamada31.07)

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8.3 Tikcro Technologies Closes Funding into BioCancell

Tikcro Technologies announced the closing of the agreement to provide BioCancell Therapeutics with $2.5m in funding to continue clinical trials of its drugs for the treatment of superficial bladder carcinoma, ovarian and pancreatic cancers. BioCancell's clinical trials with its leading drug BC-819 include: Superficial bladder carcinoma cancer - commenced Phase IIb trial in 7 centers in Israel and in the U.S. of intermediate-risk superficial bladder cancer, Pancreatic cancer - preparing for a multi center Phase I/IIa clinical trial for the treatment of pancreatic cancer, and a trial is expected at the

Massey Cancer Center of Virginia Commonwealth University in the U.S. and at the Tel Hashomer Sheba Medical Center in Israel. Tikcro now holds approximately 6% of the outstanding capital stock of BioCancell. If the notes are converted in full, Tikcro will hold an aggregate of approximately 24% of BioCancell's outstanding capital. Jerusalem's BioCancell Therapeutics (http://www.biocancell.com) is a biotechnology company specializing in the development of Patient-Oriented, Targeted Therapy for the treatment of a wide range of cancers. Its therapeutic and diagnostic technology constitutes a novel ‘search and destroy' paradigm for the targeted destruction of cancer cells – with no effect on surrounding tissue and no observed side effects – for long-term, safe treatment and prevention of cancer. Tel Aviv's Tikcro (http://www.tikcro.com) identifies potential technologies with a view to acquiring stakes in, and directing the development of, one or more operating companies in the technology area. (Tikcro31.07)

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8.4 Frost - Sullivan Honors TransPharma Medical for its Innovative ViaDerm Drug Delivery System

The 2008 Frost - Sullivan European Transdermal Drug Delivery Product Innovation Award is conferred on Israel-based TransPharma Medical in recognition of its innovative ViaDerm drug delivery system. The company's two flagship drug product development programs - ViaDerm hPTH (1-34) for the treatment of osteoporosis and ViaDerm-hGH for the treatment of human growth hormone deficiency – both in phase 2 of clinical development. The unique ViaDerm system solution allows for low-cost, patient-friendly transdermal delivery of a wide variety of drugs from a patch. Suitable for home use, the ViaDerm system employs a re-usable battery-operated handheld electronic device in combination with a patch containing the drug. The RF-MicroChannels are large enough to enable the delivery of high molecular weight molecules and are open up to 24 hours, thus allowing prolonged systemic delivery of a wide range of drug molecules, including biologics, which are currently available primarily by injection. The ViaDerm system offers patients an administration method that avoids the need for injections, thereby increasing compliance and safety.

The Frost - Sullivan Award for Product Innovation is presented to the company that has demonstrated excellence in new products and technologies within their industry. The recipient company has shown innovation by launching a broad line of emerging products and technologies. Established in 2000, TransPharma Medical (http://www.transpharma-medical.com) is a specialty pharmaceutical company focused on the development and commercialization of drug products utilizing a proprietary active transdermal drug delivery technology. TransPharma aims to develop multiple drug products through strategic partnerships with leading pharmaceutical companies and through independent product development. For more information, visit the Company's website at. (F-S02.08)

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8.5 Alma Lasers Receives FDA Approval for Omnifit

Alma Lasers announced that it has received clearance from the U.S. FDA to market its handheld skin resurfacing device, Pixel CO2 Omnifit. The device is a carbon dioxide-based laser that can resurface skin, remove wrinkles, shrink pores or fill in acne scars by exposing the skin to a laser-guided beam. Alma Lasers says its device can deliver improved results quicker than existing devices, with a faster recovery time. The product is a handle that can be attached to a CO2 laser resurfacing device made by either Alma Lasers or other companies. The company believes that treatment centers interested in upgrading their laser equipment will prefer to purchase its attachment rather than buy an entire new device. The process for obtaining FDA approval for aesthetic devices is less stringent than that for other medical devices.

Caesarea's Alma Lasers (http://www.almalasers.com) is a global developer, manufacturer and provider of laser, light-based and radiofrequency devices for aesthetic and medical applications. Alma Lasers' expertise lies in the winning combination of an ability to innovate bringing unique new technologies to the global aesthetic market, balanced by a strategic depth of clinical knowledge and industry experience. (Globes04.08)

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9: ISRAEL PRODUCT - TECHNOLOGY NEWS

9.1 VimpelCom Chooses Mobixell Networks to Power its Multimedia - Content Services

Mobixell Networks announced that VimpelCom, a leading mobile operator in Russia and the CIS region, has selected Mobixell's solution to power the operator's multimedia content services and provide a centralized solution to ensure an optimal user experience irrespective of the device or network used. Mobixell's mobile multimedia adaptation solutions provide automated, optimized content production for off-line, on-line and time sensitive environments including content download, browsing the operator's portal and A2P MMS push services. The Mobixell solutions covers the mobile content production flow, generating better time to market, increasing the amount of mobile content offered to end users, and ensuring the high quality of content. Ra'anana, Israel's Mobixell Networks (http://www.mobixell.com) provides innovative multimedia and advertising solutions to mobile operators and content providers. Mobixell's solutions focus on enhancing the user experience to increase adoption, encourage customer loyalty and build on the operators' assets to introduce new revenue streams. (Mobixell23.07)

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9.2 IDO Security Announces First Sale of MagShoe in US

IDO Security announced its first customer in the US through its regional distribution partner, Bryant Integrated Technologies. The customer is one of the world's largest commercial cruise lines, which will use MagShoe on its ships to significantly reduce passenger waiting lines while improving security - especially in high-pressure situations like re-boarding from a port of call in time for departure. MagShoe addresses a key vulnerability in walkthrough metal detectors and other screening technologies, which stop just above the ankles when scanning for concealed weapons. The portable, user-friendly device extends metal detection to include the lower extremities, covering everything from four inches above the ankles to the bottoms of the feet - without requiring passengers to remove their shoes, thanks to a patented "step-in" design.

Headquartered in New York with a subsidiary in Rishon LeZion, Israel, IDO Security (http://www.idosecurityinc.com) designs, develops and markets the patented MagShoe weapons metal detection system. MagShoe fills a critical void in today's metal detectors by extending screening to the lower body and feet. MagShoe's "shoes-on" design maximizes security, thoroughness and accuracy while eliminating the need to remove shoes for increased convenience and safety. (IDO23.07)

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9.3 Emoze Push Email Now Available to Over Half a Billion Handsets Worldwide

Hundreds of millions of mobile phone owners can now take advantage of email on-the-move as emoze launches the world's first push mobile email solution for Java handsets. Push-mobile email is now available to a whole new category of mobile users, with more than 800 handsets added to the mobile email mix. Standard-grade handsets previously considered 'dumber' than Blackberry handsets, Smartphones or Windows Mobile devices, can get very smart with emoze. Sony Ericsson, Nokia, Motorola and Samsung users will be able to get emoze push mail on their handsets. The deployment will be in stages; Nokia Series40 handsets will be the first to be added, followed shortly after by the rest. Unique web-like graphics, flexible layouts and animated screen transitions are all supported by the emoze Java client. Unlike other simple push email solutions, emoze delivers slick, colorful and well laid out messaging and content - mirroring what you get on your PC screen - to even the most basic mobile phone.

Ra'anana, Israel's emoze (http://www.emoze.com) turns mobile phones and mobile devices in to fully functional personal communication devices with a single, simple and free download for the individual user. It delivers real-time, secure synchronization of emails, calendars, contacts and tasks - pushing data and updates to you anytime, anywhere using any mobile service provider network or WiFi and all leading brands of mobile device. Download, registration and use of emoze are all free for the individual user. Users need a data package from their mobile service provider. (emoze 23.07)

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9.4 RADVISION Video Enables Cisco Contact Center

RADVISION announced that it is providing integrated video communications for Cisco's Unified Customer Voice Portal (CVP). Cisco's solution will now leverage the SCOPIA Interactive Video Platform's extensive video communications capabilities. The SCOPIA Interactive Video Platform (IVP) is a universal video media server platform providing powerful processing building blocks, ubiquitous device connectivity and enabling the easy creation of a wide range of video-related applications and services. The video integrated Cisco CVP solution utilizes RADVISION's iCONTACT, a unique contact center video-enabling software component running in conjunction with the SCOPIA Interactive Video Platform. Together, the SCOPIA IVP and iCONTACT offer a comprehensive solution that enables systems integrators and contact center equipment vendors to develop and deploy visual communications services to contact centers. Tel Aviv's RADVISION (http://www.radvision.com) is the industry's leading provider of market-proven products and technologies for unified visual communications over IP, 3G and IMS networks. With its complete set of standards-based video networking infrastructure and developer toolkits for voice, video, data and wireless communications, RADVISION is driving the unified communications evolution by combining the power of video, voice, data and wireless – for high definition video conferencing systems, innovative converged mobile services, and highly scalable video-enabled desktop platforms on IP, 3G and emerging next-generation IMS networks. (RADVISION29.07)

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9.5 NICE Wins an 8-digit Security Project in EMEA

NICE Systems won an 8-digit deal from an EMEA law enforcement agency that will utilize the NICE solutions for enhanced citizen safety and security. The company has already received an order at over $7 million, which constitutes half of the total deal. This win is a result of NICE's strategic focus on large scale security deals, and represents one of many opportunities. NICE offers a unified set of solutions for the collection and analysis of both telephony and Internet data for law enforcement, intelligence and internal security organizations. The solution provides a complete suite of operational tools and applications, which ensure that meaningful, mission-critical information is delivered to security decision makers and operational staff, enabling them to detect threats and achieve a fast and appropriate response. Ra'anana's NICE Systems (http://www.nice.com) is the leading provider of Insight from Interactions solutions and value-added services, powered by the convergence of advanced analytics of unstructured multimedia content and transactional data - from telephony, web, email, radio, video, and other data sources. NICE's solutions address the needs of the enterprise and security markets, enabling organizations to operate in an insightful and proactive manner, and take immediate action to improve business and operational performance and ensure safety and security. (NICE 29.07)

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9.6 Elbit Systems to Supply IDF with Thermal Imaging - Target Acquisition Systems

Elbit Systems announced that its wholly-owned subsidiary, Elbit Systems Electro-Optics Elop was selected by the Israeli Defense Forces as the supplier of Mars - an innovative thermal imaging and target acquisition system. MARS is a hand-held next-generation thermal imager that operates using un-cooled sensor technology. In addition, the system combines a laser range-finder, GPS, compass, day channel and recording system. MARS is especially suited for the individual soldier, infantry forces and special units due to its advanced observation and target acquisition capabilities, its light weight and low power consumption. Haifa's Elbit Systems (http://www.elbit.co.il) is an international defense electronics company engaged in a wide range of defense-related programs throughout the world. The Company, which includes Elbit Systems and its subsidiaries, operates in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence surveillance and reconnaissance (C4ISR), unmanned air vehicle (UAV) systems, advanced electro-optics, electro-optic space systems, EW suites, airborne warning systems, ELINT systems, data links and military communications systems and radios. The Company also focuses on the upgrading of existing military platforms and developing new technologies for defense, homeland security and commercial aviation applications. (Elbit28.07)

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9.7 ER-Telecom Selects AudioCodes Residential VoIP Media Gateways

AudioCodes announced that ER-Telecom, a Russian telecommunications company, has chosen to deploy the MediaPack MP-202 Telephone Adapter into their network. The MP-202 is a member of the AudioCodes MediaPack series of analog VoIP gateways. In addition to current deployments of AudioCodes' trunking business gateways, ER-Telecom will be implementing the MP-202 residential gateway into their network. This Mediant residential gateway offers local and globally based operators and system integrators full interoperability with leading Softswitches and SIP application Servers, exceptional voice quality, feature-richness and increased security. The MP-202 is a 2-line SIP gateway with an internal router consisting of DHCP, NAT and PPPoE capabilities which enables subscribers to connect to their home PC or LAN hub/switch. By utilizing automatic software and configurational upgrades through periodic network updates, the MP-202 is designed for mass deployment while allowing operators to control their operational expenses.

Lod's AudioCodes (http://www.audiocodes.com) provides innovative, reliable and cost-effective Voice over IP (VoIP) technology, Voice Network Products and Value Added Applications to Service Providers, Enterprises, OEMs, Network Equipment Providers and System Integrators worldwide. AudioCodes provides a diverse range of flexible, comprehensive media gateway, and media processing enabling technologies based on VoIPerfect - AudioCodes' underlying, best-of-breed, core media architecture. The company is a market leader in VoIP equipment, focused on VoIP Media Gateway, Media Server, Session Border Controllers (SBC), Security Gateways and Value Added Application network products. The Company is a VoIP technology leader focused on quality and interoperability, with a proven track record in product and network interoperability with industry leaders in the Service Provider and Enterprise space. (AudioCodes28.07)

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9.8 Silicom Announces “Redirector” Intelligent Networking Cards

Silicom announced its latest innovation: the Redirector line of intelligent networking adaptors. Designed in collaboration with a leading WAN optimization appliance provider, the first prototype in the line has been designed for the 10 Gbps environment, and additional versions are now in the planning stage. The Redirector integrates intelligent filtering, multi-port connectivity and automated bypass capabilities on a single small-footprint network card, a solution that optimizes the balance between intelligent functionality, connectivity performance and cost. In typical WAN optimization applications, the use of the Redirector eliminates the need for the CPU to process up to 50% of all data packets, thereby removing a significant bottleneck to peak system performance. This is especially important in a market that is moving to 10Gbps interfaces, resulting in a much higher load of high-speed traffic on the CPU. In addition, the Redirector is designed to operate via industry-standard Intel/Broadcom drivers, minimizing the changes required in existing systems to facilitate this performance improvement. Kfar Saba's Silicom (http://www.silicom.co.il) is an industry-leading provider of high-performance server/appliances networking solutions. The Company's flagship products include a variety of multi-port Gigabit Ethernet, copper and fiber-optic, server adapters and innovative BYPASS adapters designed to increase throughput and availability of server-based systems, WAN Optimization and security appliances and other mission-critical gateway applications. (Silicom28.07)

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9.9 N-trig Announces Availability of Multi-touch Gestures Software Development Kit

N-trig announced that it is offering a software development kit (SDK) for multi-touch gestures to independent service vendors (ISVs) and industry partners. With its revolutionary approach to Hands-on computing™, N-trig's SDK can be downloaded on any tablet PC with DuoSense technology. The multi-touch gestures SDK enables ISVs to add multi-touch functions to current or future applications, providing a more hands-on experience for the user. N-trig's multi-touch currently enables functions such as rotating, zooming in and out, panning and pinching. However, this is only the beginning of multi-touch manipulation, and N-trig is continuing to develop its technology and will be releasing more multi-touch features in the future. With its multi-touch gestures SDK, N-trig is setting the stage for ISVs to develop new and exciting technologies and encouraging them to develop applications for future platforms as well. N-trig is the only company that provides pen, touch, and multi-touch capabilities for tablet PCs, and its DuoSense digitizers support Microsoft's Windows XP and Vista as well as future versions of Windows 7.

Kfar Saba's N-trig (http://www.n-trig.com) is revolutionizing the way people interact with computers by providing the industry's first dual-mode pen and touch input device. N-trig's DuoSense technology is the only combined pen, touch, and multi-touch interface for today's advanced computing world. N-trig's DuoSense dual mode digitizer uses both pen and zero-pressure capacitive touch to provide a true Hands-on computing experience for mobile computers and other digital input products over a single device. DuoSense enables greater mobility and usability in the next generation of computing devices and notebook PCs, enabling new market opportunities for OEMs and ODMs to introduce computer products which offer a more intuitive and interactive experience. (N-trig 04.08)

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9.10 China Merchants Bank (CMB) to Deploy PerSay's FreeSpeech Voice Biometrics Technology

CMB, one of China's largest and most innovative banks, selected PerSay's FreeSpeech for transparent authentication of customers, calling CMB contact centers. CMB will be the first bank in China to deploy voice biometrics and provide its customers with the highest levels of security for phone based transactions, while enhancing customer experience and reducing costs. FreeSpeech is a unique text-independent biometric speaker verification system which transparently verifies the identity of a speaker during the course of a natural conversation. Content, language and accent independent, FreeSpeech transparently retrieves the biometric voice characteristics required for verification within seconds, eliminating the need for cumbersome authentication questions. CMB is planning to integrate PerSay FreeSpeech into its Huawei-based contact centers in the next couple of months. Ra'anana's PerSay (http://www.persay.com) is a leading provider of advanced biometric speaker verification products. PerSay's technology relies on the biometric power of voice to verify a speaker's identity. PerSay's products have been deployed by leading financial services, telecom operators, healthcare providers, enterprises and law enforcement agencies worldwide. (PerSay 05.08)

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9.11 PineApp Provides Women's Care with Unparalleled Spam Blocking - Secure Email Communications

PineApp announced that North Florida Women's Care (NFWC) has utilized PineApp's Mail-SeCure perimeter security appliance to provide the organization with secure email while eliminating a massive amount of spam attacks. The Mail-SeCure appliance was deployed to secure all employee email throughout the organization. NFWC selected Mail-SeCure because of the appliance's ease of installation, usability, unit cost and unsurpassed level of security. PineApp's Mail-SeCure is an advanced anti-spam and email security appliance that combats evolving email-based threats such as botnets, image and MP3-based spam and sophisticated virus attacks. Mail-SeCure provides unrivaled email security with the integration of multi anti-virus engines with multi layered anti-spam protection. This approach protects against threats such as Mail-bombing, DoES, Backscatter, viruses, spam, worms and Trojan-horses. Nesher's PineApp (http://www.PineApp.com) offers comprehensive appliance solutions for small, medium and large organizations. Since its founding in 2002, PineApp has specialized in email and content security systems. PineApp has established itself as a pioneer in the development of unique and innovative technologies to fight the different threats that exploit email systems. As a result, PineApp has become a leading supplier of comprehensive appliance based security solutions for email systems, suitable for organizations of all sizes from small offices to large enterprises. (PineApp05.06)

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10: ISRAEL ECONOMIC STATISTICS

10.1 Number of Israeli Jobseekers Increases

The Israel National Employment Service reported on 31 July that there were 188,400 jobseekers in June, compared with 181,000 in May and 197,900 in June 2007. The figures do not include seasonal factors such as holidays. Seasonally adjusted figures show that the number of jobseekers has risen for the first time in three years. Trend figures show that the unemployed persons rose by 0.3% to 169,800 in June, from 169,200 in May. On the other hand, the number of help-wanted requests processed by the Employment Service totaled 23,100, compared with 22,400 in June 2007 and 9,400 people were placed in jobs, compared with 8,900 in the corresponding month last year. (INE31.07)

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10.2 Imports of Consumer Durables Drop

For the first time since the beginning of 2008, in July there was been a decline in imports of durable goods, except for televisions, compared with July 2007. Imports of televisions were 16.6% higher in July compared with the corresponding month of last year. However, imports of refrigerators fell 5.9%, washing machine imports fell 27%, dishwasher imports fell 28%, clothes dryer imports fell 53% and imports of VCRs and DVDs fell 17%. Despite the decline in imports of appliances in quantitative terms, their imports totaled $5.5 billion in July, 22% more than in July last year, the Israel Tax Authority reports. The decline in imports in durable goods in July, compared with the corresponding month, can not only be attributed to the economic slowdown, but also to circumstantial changes in the past 12 months. Private consumption as a proportion of GDP explains most of the economic growth of the past four years. The purchase tax on appliances was abolished in July 2007, which affected purchases at the time as consumers took advantage of the cancellation. At the same time, GDP was growing at an annualized 6% and the shekel appreciated sharply against leading currencies, including the dollar, which further boosted the purchase of imported goods. The result was a sharp increase in purchases of durable goods in the past 12 months. (Globes05.08)

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10.3 Israel's First Half Tourism Up 32%

The number of tourist overnights at hotels was 32% higher in the first half of 2008, compared with the first half of 2007, the Israel Hotel Association reports. On the other hand, hotel overnights by Israelis fell 7%. The Hotel Association attributes the decline to the shekel's appreciation against other currencies, which prompted many people to take vacations abroad, including the popular destination of Turkey. The Hotel Association notes an especially large jump in the number of day tourists who are staying in neighboring countries and making side trips to visit holy sites in Israel. The Hotel Association director general predicts that 400,000 day tourists will visit Israel this year, 200% more than in 2007. He warned that this trend should alarm decision-makers, because day tourists put considerable pressure on tourist sites while making only a negligible contribution to the national economy. A regular tourist contributes $1,550 to the economy, while a day tourist contributes $150. The Hotel Association says that there were 10m hotel overnights in H1/08, 10% more than in the first half of last year. Some 5.1m overnights were by tourists and 4.9m by Israelis. Hotel overnights in Tel Aviv were up 19% compared with last year. The largest growth in hotel overnights was in Tiberias, up 67% compared with last year. The average nationwide room occupancy rate was 65% in the first half, 13% higher than last year. Tel Aviv had the highest room occupancy rate at 77%, followed by Jerusalem at 74%, and Eilat at 60%. (Globes 24.07)

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10.4 Tel Aviv is Now Even More Expensive Than New York

Tel Aviv is more expensive to live in than New York, according to the 2008 cost-of-living survey compiled by the Mercer human resources consultancy. Tel Aviv has risen to 14th place in the survey's ranking of the world's 50 most expensive cities, up three places from its position for the last two years, when Tel Aviv was ranked 17. Israel's economic hub was given 105 points on the index, as opposed to 97.7 last year. For the third year in a row, the survey has found Moscow to be the most expensive city to live in, with 142.2 points. The least expensive of the top 50 cities is Hamburg, at only 89.9 points. In the survey, Mercer ranked 143 cities on six continents by comparing the prices of 200 different goods and services. These included housing, transportation, food, clothing, entertainment and household goods. The company used New York as the index's average at 100 points; the Big Apple fell from last year's 15th place to 22nd. Los Angeles came in at only number 55. Mercer noted that this year's survey showed that the gap between the world's most and least expensive cities seems to be widening. Of course, the shekel's recent strength has made Tel Aviv more expensive. Tokyo was second, followed by London, Oslo and Seoul. Rome was 18. At the bottom of the table, for the sixth year in a row, was Asunción in Paraguay. Just slightly more expensive were Karachi, Montevideo and Buenos Aires. (Various25.07)

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10.5 Israel Today Surpasses Ma'ariv in Readership

A survey published by TGI on newspaper readership over the last twelve months reveals that Israel Today, the freesheet published by billionaire Sheldon Adelson, is now the second most read newspaper in Israel, beating Ma'ariv which has held second place for many years. TGI says that Israel Today is continuing to gain exposure, with an average daily exposure rate of more than 20% in January-June, compared with 17.4% in the same period last year. Israel Today currently has daily circulation figures of 255,000. But despite gaining in strength, the paper's readership apparently consists in part of people who do not usually buy or read a daily newspaper, since the survey found no significant change in the readership of other dailies during this period, in contrast to the marked decline seen in previous years. 24 Minutes the Yediot Ahronot-owned freesheet had a daily exposure rate of 5% in January-June 2008. The combined coverage of the five national dailies - Yediot Ahronot, Israel Today, Ma'ariv, Ha'aretz and Globes - reached 58% in January-June 2008, compared with 57.7% in June-December 2007. (Globes 28.07)

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11: In Depth

11.1 Jordan: Economy - Aid Downside

Resource-poor Jordan has typically viewed with envious eyes the hydrocarbons wealth of its Arab neighbors, but in recent years the country has managed to ride the coattails of the nearby oil-fuelled economic boom. Foreign direct investment (FDI) inflows from the Gulf Arab states have surged since 2005, allowing the balance of payments to weather the impact of the swelling oil import bill, while the budgetary accounts are set to benefit from a recently announced stepping up of Saudi and US direct contributions. However, the increase in foreign economic support cannot disguise fundamental weaknesses in the domestic economy, and indeed may only exacerbate them.

Gulf Largesse

The revelation that Saudi Arabia and the US are between them going to provide an extra $500m in budgetary support will have been a major relief to the hard-pressed Ministry of Finance. According to official figures, the budget deficit widened markedly over the first four months of this year, and, despite the bold move to remove nearly all the country's fuel subsidy in March, corresponding compensatory social welfare and (relatively modest) public-sector pay rises, adjustments to subsidies on wheat and fodder, and a lowering of the sales taxes on food and medicine have forced the government to introduce a $705m supplementary budget (passed by parliament in June).

Although the arrival of new external budgetary support will as such no doubt have been welcome (especially given the drop-off in foreign aid since 2003), it only exacerbates the impression of a country living beyond its means, and could well prove a disincentive to further, much-needed fiscal rationing. Most particularly, the government has already backtracked on its pledge to remove the subsidy on gas cylinders by March this year, and it has set no deadline to reverse its tariff and sales tax reductions. However, it is accelerating inflation, and a commensurate increase in pressure from state employees for higher wages to compensate, that poses perhaps the main risk.

In his 2008 budget, the finance minister and deputy prime minister, Hamed al-Kasasbeh, pledged to link the basic salaries of civil and military service personnel to inflation; however, at the time year-on-year inflation in the country was just some 6%, but it has since rocketed to above 15%. The main culprits have been a leap in food and fuel costs, reflecting rising foodstuffs costs globally and the lifting of the fuel subsidy. Yet the government's earlier pay increases have also played a role, and the Central Bank of Jordan estimates that over 40% of the inflationary pressure in the country has in fact been generated domestically. As a result, the government is facing a political and economic dilemma; should inflation persist at these levels, it could be forced to backtrack on its pledge, likely precipitating a public outcry.

However, should it raise wages even close to this amount, not only will it place an extremely heavy burden on the state finances, but it could also entrench inflationary expectations in the country.

FDI Favorite

Nevertheless, it is worth placing the government's travails in context - Jordan is hardly alone at present in struggling to contain popular dissatisfaction at rising prices, and, in reality, the economy has in fact been displaying a relatively impressive level of resilience. In the past, the effect on domestic demand of surging living costs and rising import prices would have raised concerns over the health of the economy as a whole, but the continued impressive pace of FDI has shown little sign of abatement - indeed, inflows rose by 10-15% over the past six months - and real GDP growth, although slowing slightly, still reached 5.3% in the first quarter of this year. Jordan's relatively liberal economic climate and well-trained workforce have seemingly proven a strong pull for investors from the Gulf, as has its generous tax incentives and established regulatory climate. In addition, the government has also had some success in diversifying the source of investment into the country (France, for example, is the country's fourth largest FDI contributor), assisted no doubt by its free-trade agreement with the US.

However, as noted, risks remain. Although the Economist Intelligence Unit expects inflation to fall back next year, as global commodity prices moderate, such an outcome is by no means certain. Equally, the country's closeness to the US is also imposing a double economic burden (on top of the popular disquiet these ties can provoke at home and in the region), as the Jordanian dinar's peg to the weakening US dollar has added to imported inflationary pressures, while exporters have been hit by the softening of their largest market (export sales to the US fell by 13%, year on year, in the first quarter of this year). At the same time, public patience with the ever rising price of basic items appears to be wearing thin (prompting the king to say in an extensive interview with the Petra News Agency that the country's three main challenges are “prices, prices and prices”), and anger at the government's perceived indifference to their plight has only been worsened by allegations of corruption in a series of highly lucrative land sales. Although few in the country will have been unhappy at the ever rising amount of foreign investment and aid coming into the country, it appears the government will have to remain mindful of the old adage that “charity starts at home”. (EIU24.07)

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11.2 LEBANON: Another Lost Season?

Lebanon has hailed the formation of a new national unity government, ending months of political deadlock that had destabilized the economy and provoked civil unrest. One of the biggest losers in the turmoil has been the country's tourism industry.

On July 11, Prime Minister Fouad Siniora announced the list of 30 ministers that make up his new government, with a number of established cabinet members being replaced to accommodate opposition nominees. One of those replaced was long-standing Tourism Minister Joseph Sarkis, who had held the post since 2005. His replacement, Elie Marouni, a member of the Christian Phalangist Kataeb Party, inherits a portfolio in turmoil. The minister will have to deal with a number of issues, including the perception of strife in his country.

Many countries, including those in the vital Arab market and in Europe, are still warning citizens against traveling to Lebanon unless strictly necessary. The British Foreign Office's travel advisory note for Lebanon, updated the day before the new cabinet was announced, warned of a high threat of terrorism in the country, saying that attacks could be indiscriminate, including in places frequented by expatriates and foreign travelers such as hotels and restaurants.

Although peace appears to have broken out in Lebanon, it will be some time before foreign governments downgrade their travel alerts, wanting to assess the situation before recommending Lebanon as a holiday destination. The fact that Islamist terrorist group Hezbollah and its allies are back in the cabinet may not encourage some Western governments to reduce the threat levels on their advisories.

Marouni himself struck a positive note after being named the new tourism minister, laying down concerns that the various factions in the coalition would be at odds. The minister said he and his party would work for Lebanon and its people. "We are willing to open a new page to work and cooperate with each other, let them judge us through our works and help us to reach the achievements," he said on July 11.

Whether or not foreign travel warnings have been heeded, the numbers of foreign arrivals are down on last year's figures, with the May total being particularly alarming for the tourism industry.

According to figures released by the ministry of tourism on July 8, 336,721 people visited Lebanon in the first five months of 2008, 1.8% down on the total for the same period last year. For May, the number of overseas arrivals was just 59,667, 17.9% lower than the same period in 2007 and 45.5% down on the figure for the same month of 2006, just before Israel launched its cross border operation. The fall in the number of Arab visitors has also caused alarm. This number plunged by 14.1% in the first four months of the year.

As recently as late June, Sarkis was predicting at least 1.6m foreign visitors would come to Lebanon this year, compared to the approximately 1m for the previous two years. The tourism sector could contribute more than $2bn to the economy, around 10% of gross domestic product, he said. Despite his optimism, Sarkis said that it would take years of calm and stability for the tourism sector to fully recover. "We don't have industry that can compete and we don't have agriculture. We have services," he told international press on June 26.

Another problem Marouni will have to deal with is falling levels of investment in the tourism sector. According to his predecessor, up to $800m worth of new projects were put on hold last year and the first five months of 2008 due to political instability. A forecast issued by ratings agency Capital Intelligence, released just before the new cabinet was named, said Lebanon's economy would expand by 4% this year. It also said that a return to political stability should help revitalize investment and the tourism industry, as well as improve the country's trade.

Nevertheless, the report warned that the Hezbollah-led factions' right of veto in the cabinet could pose a major obstacle to economic reforms and undermine government unity. Any disunity, return to violence or further stagnating of reforms will be highly damaging to the Lebanese economy, with the tourist sector vulnerable to negative perceptions, let alone adverse realities. With arrival numbers thin and investment down, it could be a cool summer for Lebanon's tourism industry. (OBG24.07)

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11.3 LEBANON: Building on Stable Foundations

In the wake of breaking the country's political deadlock, with both a president and a cabinet now in place, Lebanon's construction sector is looking to better times, after more than two years of war, internal conflict and instability. According to figures released by the Order of Engineers of Beirut and Tripoli on July 22, approvals for building permits jumped by 19.5% in June compared to the same month last year. Building projects covering 1042 sq meters were given the official go-ahead last month, with 48.8% of the permits being granted for work in the Mount Lebanon region and a further 13.7% in Beirut.

In its weekly report on the Lebanese economy, published on July 22, Bank Audi credited the agreement reached in the Qatari capital Doha to form a national unity government as providing "yet another push for contractors to launch new projects, aside from their will to benefit from the on-going real-estate demand". Although the construction industry has been battered by the fallout of the Hezbollah launched war against Israel in the summer of 2006 and the loss of investor confidence resulting from political infighting, the sector has made steady progress. While a number of major developments were put on ice, projects covering more than 5m square meters have been approved so far this year.

The local construction industry was given a significant boost with the news that Kuwait-based Levant Holding was to re-launch a $2bn real estate project in central Beirut. Originally slated for April 2006, Levant's mixed use residential and commercial Phoenician Village development came off the table following Israel's military strike in July that year.

Though it appears increasingly buoyant, Lebanon's construction sector is not without problems. Skyrocketing materials costs are hampering some projects, especially those contracted by the government.

In response to the effects of rising prices on their members, the Order of Engineers and Architects of Beirut and the Lebanese Contractors Syndicate (LCS) has called for protest action, suggesting work could be halted at construction sites across the country. One of the biggest issues facing building contractors carrying out work for the government has been that they are locked into long term state contracts that do not take into account fluctuating materials costs.

Lebanese contractors were being forced to take all the risks associated with rising building materials prices, Fouad Jamil El Khazen, the head of the LCS, told local press on July 24. "These price rises are simply not being seriously considered by the Council for Development and Reconstruction or any of the relevant government ministries," he said. More should be done by the state to rein in rising prices and to apply an inflation-based component on contracts for major building and infrastructure projects, he added.

Along with many countries in the region, Lebanon is experiencing a shortage of cement and other materials. Combined with a near 50% rise in the price of steel in the past six months, the construction industry is struggling to complete projects on time and within budget. Rises in the cost of other essential products such as oil, water and electricity, which increased by 11.1% in June, are also adding to the pressure.

Another concern, raised by the governor of Lebanon's central bank, Riad Salameh, is that soaring demand will create a real estate bubble, as many buyers are funding land and building acquisitions through bank loans with limited equity to back them up. One way to take some of the heat out of the market would be making it a requirement for borrowers and investors to post the equivalent of 40% of the value of their approved property loans, argued Salameh. "The Central Bank is respectful of the market forces determining or dictating the prices of properties. But our concern is not to develop a bubble in real estate and that's why we are discussing the idea of 40% equity of the total property loan," Salameh told local press on July 11.

Just days after Salameh's warning, the Directorate of Real Estate at the finance ministry released figures showing the extent of Lebanon's real estate boom. In a report issued on July 15, the directorate said there had been a 19% rise in the number of properties sold in the first five months of the year compared with the January to May period in 2007. However, the value of these transactions was up by 72%, totaling $1.99bn, the report said.

While investors are returning to the real estate market, with the renewed interest having a direct impact on to the construction sector, many foreign firms are adopting a cautious approach. Nabil Itani, the head of the Investment Development Authority of Lebanon, the state body charged with attracting investment to the country, said that despite overseas interest, no new major projects had been committed to. "Investments are a long-term strategy. Many of the potential investors want to study carefully the economic sectors in Lebanon before deciding where to spend the money," Itani told the local media on July 18. This caution may be justified, with the unity government yet to agree on its joint policy program more than two weeks after it was formed and a renewed outbreak of fighting in the northern city of Tripoli on July 26 leaving several people dead. (OBG31.07)

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11.4 KUWAIT: Securing Water

A report by the Kuwait Institute for Scientific Research (KISR) has recommended that the emirate consider implementing new technology to improve water storage. The report, titled "Food security and strategic water reserves in Kuwait", suggests in particular the use of direct injection into reservoirs, a method already used successfully in several other countries.

According to the report's authors, Mahmoud Abduljawad and Sadiq Ibrahim, Kuwait currently requires around 60m liters of fresh water a day, equivalent to 30 liters per person. Comparing this figure with the country's current storage capacity Abduljawad and Ibrahim estimate that an additional 18bn liters of reservoir space will be required if Kuwait is to maintain reserves equivalent to a full year of demand.

The government's previous strategy for securing water supplies involved establishing expensive storage tanks, as well as more conventional ground reservoirs, at a total cost of $344m. The KISR report estimates that the new capacity will cost an estimated $895m. However, it also argues that newer technologies such as injecting water into existing reservoirs (presumably subterranean aquifers) should be considered. The report estimates the cost of such new technology would be only 5% that of constructing new, conventional storage facilities.

Abduljawad and Ibrahim also suggest Kuwait make better use of its treated sewage water. Currently, of the 100m liters of sewage water treated, only 15% is recycled back into the system, with the rest dumped at sea. The biological impact on the littoral areas of the Gulf is yet to be fully determined, as the high nutrient level may lead in the long-run to dangerous knock-on effects for the ecosystem. Such high levels of nutrients could, however, be useful for agriculture. Alongside better use of this existing resource, the report further recommends the reactivation of the Sulaibiya treatment plant as part of a long-term strategy for ensuring a continuous supply of water for agriculture.

KISR was originally commissioned to look at the nation's water security by the ministry of electricity and water, specifically the methods of storage used at the Damam, Sulaibiya and Al Shigaya facilities. Much of Kuwait's water is currently obtained from desalinated seawater taken from the Gulf, which is then mixed with around 10% brackish water from the emirate's limited groundwater aquifers to create potable water. However, with a growing population and increasing demands on the water board from new developments such as the planned $132bn Silk City, which is set to house an additional 700,000 people, water security is becoming a major issue for Kuwait.

Securing Kuwait's future water supply is likely to require a combination of different approaches. While an increase in storage capacity will be necessary to provide security for a growing population, sourcing fresh supplies will also become a matter of urgency. Unlike Saudi Arabia, which recently announced it would be effectively ending its domestic agriculture program to conserve its water board, Kuwait does not have a great deal of agriculture to cut back on. Increasing desalination capacity will therefore be a priority, though this remains an energy intensive process. Other alternatives - such as a plan mooted in 2005 to pipe fresh water from Iran - appear to be either on the backburner or no longer viable. (OBG01.08)

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11.5 BAHRAIN: Leveraging Cost of Living

The campaign to attract foreign investment and promote itself as the premier business hub in the region was given a boost in July, with an international survey showing Manama was one of the cheapest cities in the Gulf to live in. According to the results of the Mercer Cost of Living Survey, released on July 24, the Bahraini capital was ranked 112 out of 143 global cities in a study that compared the costs of more than 200 items including housing, transport, food, clothing, household goods and entertainment. Only the Saudi Arabian cities of Riyadh and Jeddah, ranked 119 and 126 respectively, were cheaper to live in, the Mercer study said, while Dubai was rated as the most expensive in the region, coming in at fifty-second in the world. The only major Gulf cities not included in the survey were Doha and Muscat.

Manama actually dropped, i.e. improved, 21 places on the Mercer rankings from its 2007 position, one of the biggest falls among the region's cities. This drop may be in part due to the fact that Bahrain is the only member state of the Gulf Co-operation Council that has an inflation rate below 10%.

According to a report released by the kingdom's Central Informatics Organization (CIO) on July 29, annualized price rises were running at 3.1% as of the end of May, well down on the 6.1% in April. While that figure may not be wholly informative, given that the CIO has not released details on how it calculates its inflation data, there is little question

Bahrain's inflation rate is well below that of other Gulf states such as the United Arab Emirates at around 11% and neighboring Qatar at 14%.

Bahrain's strong showing in the Mercer survey could serve to attract more foreign companies looking to base their operations in the Gulf. Price shifts are an important issue for firms, according to the report's author, Yvonne Traber, a principal and research manager at Mercer. Keeping on top of the changes in expatriate cost of living is essential so that companies can ensure their employees are compensated fairly and at competitive rates when stationed abroad, she said when releasing the report.

Sheikh Mohammed bin Essa Al Khalifa, the chief executive officer of Bahrain's Economic Development Board, says that Bahrain is one of the most cost-effective places to do business in the Gulf. "Inflation is under control, and so the cost of office space, housing and food is relatively competitive," he told international press on July 2. "The cost of renting office space in Bahrain is 50% cheaper than in Dubai." According to Sheikh Mohammed, the combination of the access to opportunities, the cost-effectiveness of doing business and the quality of life make the kingdom "the best value proposition for companies in the Gulf region".

While Bahrain is one of the least expensive Gulf states, this position comes at a cost. In June, Prime Minister Sheikh Khalifa bin Salman Al Khalifa said the government had allocated $1.3bn to provide subsidies on fuel and food to offset the effects of inflation. However, there can also be a downside to Bahrain's lower cost of living, with many locals rejecting offers to work in other countries in the Gulf due to higher prices, especially in accommodation rents.

In October last year, Bahrain opened an employment office in Qatar to assist Bahrainis find work there. However, with the cost of living in Qatar rising sharply, there has been a downturn in the number of Bahraini nationals willing to make the move across the narrow strip of water dividing the two states, said Subah Al Dossari, the head of the Labor Ministry's Directorate of Public and International Relations. "Things were moving in the right direction as the government of Qatar welcomed the employment of Bahrainis and vowed to treat them on par with its citizens, but many hesitate to go because of the high cost of living," he told international media on July 25. Plans to open employment offices in Dubai and Abu Dhabi had been put on hold due to the high rental costs in both emirates, Al Dossari added.

There are some who query the Mercer survey findings and the CIO's inflation figures. In June, a regional newspaper reported that as many as 80 foreign teachers, mainly from Jordan and Egypt, had recently resigned their positions in Bahrain, due to the rising cost of living and stagnating wages in the kingdom. The report cited an unnamed Bahraini education ministry official as saying the skills drain had intensified after the government had not extended a 15% salary increase, granted to local public servants, to teachers and other state-employed expatriates. Bahrain's ranking on the Mercer index also relates to the higher cost of living in the cities above it. Falling 21 places on the chart since last year does not necessarily indicate that Manama is less expensive to live in, merely that it has become more expensive to live elsewhere. Nevertheless, Bahrain is still well ahead of the field across the region in terms of costs, and may be able to leverage this advantage into attracting new investment. (OBG01.08)

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11.6 QATAR: Hot Air

The Oxford Business Group reported that Qatar has been one of the big buyers at this year's Farnborough International Air Show, signing multi-million dollar contracts to strengthen its national flag carrier and to put it in a position to compete against the growing number of budget airlines springing up across the region. At a time when record high fuel prices are prompting other international airlines to look at cutting routes, Qatar Airways has splashed out on a series of new orders, signaling its intention to expand the airline.

On July 15, Qatar Airways said it had signed a memorandum of understanding for the purchase up to six Airbus A321 aircraft - four firm orders and two on option. The four new narrow body planes, worth $360m at present list prices, will be used on Qatar Airway's shorter haul regional routes, according to the airline's Chief Executive Officer, Akbar Al Baker. He went on to say that the latest orders, and those already on the books of both Airbus and Boeing, were a signal of the company's plans for dramatic growth. "Qatar Airways is clearly bucking the trend by placing aircraft orders and being confident of a bright future for the Middle East and global aviation industry," he said. Qatar Airways' new orders, along with another $30bn committed for an additional 200 planes, add up to a sizeable fleet. The airline plans to have more than 100 aircraft by 2013, including the new twin-deck Airbus A380 super jumbo.

While Qatar Air's new orders aim to keep it competitive, the company's management is also hedging its bets. On the sidelines of Farnborough, Al Baker, said the groundwork had been laid to start a budget carrier if the airline felt its market was being threatened by other low cost companies in the region. "If our market-share is being eroded by low-cost carriers or people that haven't thought about this low-cost model correctly and try to venture into our market, then we will launch our own low-cost carrier within 90 days," he said.

Al Baker added that Qatar Airways is in a position to launch a new lost cost carrier, "in a very painless way", having the established infrastructure - along with the aircraft - to do so. This contrasts with many start-ups that have to struggle with obtaining planes, staff and landing rights before taking to the skies. Though Qatar Airways' spending spree was one of the highlights of Farnborough, it was eclipsed by that of Abu-Dhabi-based Etihad Airways. It splashed out a massive $20bn on orders with Boeing and Airbus, signing deals for 100 new aircraft and announcing plans to buy another 105 planes, valued at $23bn.

The huge orders highlight a rivalry between the two countries in the aviation sector. State-owned Qatar Airways' expansion is part of a wider government program to make the country a major aviation hub, a target also set by the UAE. The first stages of the New Doha International Airport (NDIA) are scheduled to open in 2009, with a passenger handling capacity of 12m, three times that of the existing airport. When completed in 2015, the $7.5bn facility will be able to handle 50m passengers and 2m tonnes of cargo a year. Even this will only put Qatar on the second tier among the Gulf's airports, with Dubai's new international aviation centre, due for completion in 2017, to be capable of processing 120m passengers and 12m tonnes of freight.

While the new airport has obviously been designed with a view to the national carrier increasing passenger numbers, Qatar also hopes other international airlines will base their regional operations at NDIA. With this in mind, the airport has been designed to include state-of-the-art maintenance facilities, along with catering and support services far beyond the needs of Qatar Airways. Again though, it is the UAE that could provide the main stumbling block to these aspirations being achieved. While Qatar is spending billions, Dubai has committed at least $82bn to its new aviation hub, which will combine the world's largest airport with one of the industry's biggest repair and maintenance centers.

Qatar may struggle to match the high spending of the UAE in trying to develop an aviation industry. Instead it will have to prove that it can beat its regional rivals through quality of service to win over passengers and airline companies in order to reach its potential. (OBG22.07)

11.7 TURKEY: Fitch Says Turkey's 'BB-' Rating Tolerant to Shocks to Date

Fitch Ratings (http://www.fitchratings.com) has said in a special report published today that although Turkey has been affected by several adverse shocks this year, the agency sees them as within the tolerance of its ratings rather than warranting negative rating action. Turkey is rated Long-term foreign currency Issuer Default rating (IDR) 'BB-' ('BB' minus) with Stable Outlook, Long-term local currency IDR 'BB' with Stable Outlook, Short-term foreign currency IDR 'B' and Country Ceiling 'BB'.

"Turkey has been hit by several adverse developments this year, including an inflationary shock and a weakening in its inflation target, a widening in its current account deficit amid a more challenging financing environment, a relaxation of its fiscal framework and an elevation of political tensions," says Edward Parker, Head of Emerging Europe sovereigns at Fitch.

Inflation has risen to double-digits, at 10.6% in June, leading Turkey to relax its inflation target. High inflation is detrimental to creditworthiness as it increases the risk of macro-economic volatility, exchange rate and banking crises, and reduces sovereign debt tolerance. High oil prices have driven a widening in the current account deficit (CAD), which Fitch forecasts at 6.5% of GDP this year, up from 5.7% in 2007, while the global credit crunch will make its financing more challenging. Rising inflation and the CAD made it an inauspicious time for the government to unveil a loosening of fiscal policy, relative to previous plans, in its new Medium Term Fiscal Framework. Nevertheless, it remains compatible with a decline in the government debt/GDP ratio to 30% by end-2012 from 39% at end-2007.

Another clash between the democratically elected Justice and Development Party (AKP) government, which has its roots in political Islam, and the secular establishment, which was triggered by the AKP's proposed amendments to the constitution has heightened political risk. The outcome and ramifications of the court case on the closure of the AKP are hard for anyone to predict, but could have serious consequences.

Some positive news this year was the upward revision of GDP by a third, which has improved its credit metrics. "Turkey's sovereign ratings are underpinned by fundamentals including the highest income per capita in the 'BB' range, an open and diverse economy, declining public debt ratios, a good debt service record and debt management capacity, and a banking system and business climate that compare favorably with its rated peers," says Mr. Parker.

"We currently see recent adverse developments as consistent with our decision to revise the Outlook on Turkey's Long-term foreign currency rating to Stable from Positive in May 2007, rather than presaging a downgrade to the single 'B' rating category," says Mr. Parker. Fitch believes the Turkish economy is fundamentally stronger and more resilient to shocks than it was in the first half of the decade, when it was rated in the single 'B' range. "However, risks have increased and negative rating action is possible if political instability, balance of payment pressures or the inflation outlook deteriorate to the extent that they more seriously affect investor sentiment, macroeconomic stability, and fiscal and external financing." (Fitch28.07)

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11.8 TURKEY: Prime Tourist Destination

Turkey's position on the edge of the eurozone is paying dividends for the country's tourism industry. With the Euro continuing to rise and fuel prices pushing up the cost of long haul flights, Turkey stands to gain as a mid-haul destination for British, Russian and Commonwealth of Independent States (CIS) tourists. Data from the Turkish tourism ministry showed that 3.31m total tourists visited Turkey in June, a 19% increase on the previous year's figure. One of the most striking aspects of the data was the growing appeal of Turkey among British visitors.

The weakness of the British pound compared to the Euro has left many British tourists, already affected by the credit crunch on consumer spending power, looking for cheaper destinations. Figures from the Association of British Travel Agents (ABTA) show a 20% year-on-year increase in reservations for holidays in Turkey, making it the second fastest growing destination for Britons after Egypt (where reservations grew 28%). Mark Tanzer, CEO of ABTA, told British press on July 20, "With a changing economic climate, many existing trends have become more pronounced. Spain for example, is still the top destination this year, but as a mature destination, and with the strong euro, greater growth is being experienced in the mid-to long-haul destinations outside of the eurozone."

There were fears among some travel agents that the UEFA European Football Championship, which took place in June, would attract tourists to Austria and Switzerland at the expense of Turkey. But these fears failed to materialize. It is likely that England's failure to qualify for the championship has assisted the high British tourist figures.

The first quarter growth in tourism arrivals bodes well for a country that is chasing ambitious goals in terms of total visits and tourism receipts. The Turkish Tourism Authority aims to attract 25m visitors and $21-22bn in receipts in 2008. In the long run, the goal is to attract 50m tourists and $50bn in receipts by 2023. In 2007 Turkey attracted 23m tourists, making it the ninth most visited country in the world. British tourists rank third behind Germans and Russians in terms of visitor numbers to Turkey.

"We expect to see German visits to Turkey to continue to grow at a rate of between 8 to 10% in the coming year," Koray Yetik, secretary general of the Turkish Tourism Investors Association (TYD), told OBG. "The Russian, Ukrainian and Kazakhstan markets, on the other hand, are growing at double-digit rates. Last year 3m Russians received their first passport and the majority went to Turkey," he added.

To meet the increasing demand, local and international hoteliers are working hard to build capacity in the popular tourism hotspots of Istanbul and the 'golden corner', the coast between Izmir on the Aegean Sea and Antalya on the Mediterranean Sea. In June Anatalya was the chosen destination for 39% of tourists while Istanbul accounted for 20%. W Hotel opened in the neighborhood of Besiktas in May and five star hotels including Park Hyatt Istanbul, Marmara Sisli, Divan Istanbul Asia and the Poseidon Underwater Hotel are slated for construction before the end of 2010, when Istanbul will be the European Capital of Culture.

Despite the numerous steps in the right direction, Yetik says Turkey still lacks recognition as a foreign investment destination in the tourism sector. "Of the total $34bn invested in Turkish tourism, only $3bn came from foreigners. In addition, only around 10-11% of import goods go towards tourism investments," he told OBG. Besides, according to

Yetik, the tourism sector faces a potential shortage of human resources. "Currently around 5% of the Turkish workforce, 1.2m people, are employed in the tourism sector. This number will increase to 2m by 2013. Each year approximately half of the students graduated from the country's hotels schools accept jobs in the tourism industry mainly because of the salaries and fringe benefits do not match their expectations," he said.

Russian speakers are particularly in demand but there are few options for Turkish students to study the language. The majority of the estimated 50,000 foreigners working in Turkey are Russians. "The need for improving skills in the tourism sector and the upgrading of the infrastructure are key challenges in the coming years," said Ozbey.

With 258 Blue Flag beaches - the third highest number for any country worldwide - there is good reason for Turkey to focus on the 'sea, sun and sand' market. But if the country is to reach its ambitious visitor goals and avoid turning the coast into overdeveloped concrete sprawls often associated with parts of Spain's Costa Del Sol, new destinations and niches need to be developed.

The Tourism Strategy to 2023, with its emphasis on areas of cultural, health and MICE tourism, has laid out the blueprint for the country's future development. However, so far, progress has been slow, not least because such ventures are currently far less profitable than those in the 'golden corner' and Istanbul. "There are fantastic landscapes and cultural sites in Anatolia but investors won't enter the region unless a generous program of subsidies and incentives is offered by the government," said Yetik. (OBG25.07)

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- Israeli Shekel conversions done at a rate of NIS 3.50 = $1.00

- Turkish Lira conversions done at a rate of NTL 1.10 = $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

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