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1: ISRAEL GOVERNMENT ACTIONS & STATEMENTS

1.1 Stanley Fischer Says Israel's Banks Have Behaved Responsibly

Globes quoted Governor of the Bank of Israel Prof. Stanley Fischer at a special press conference, where he stated: "It is very important to find mechanisms to increase credit in the economy. The Bank of Israel and the Ministry of Finance are examining ways to do this. The government and the Bank of Israel must guarantee that the economy's credit mechanism continues to function." Fischer said that Israel's banking system was not suffering the same difficulties faced by banks in the US, and that there were several reasons for this. First, Israel's banking oversight and supervision is quite strict. Also the banks applied responsible credit policies. An analysis of the banks' credit portfolios found a broad diversification, with no single player accounting for a large quantity of credit. In addition, Israel's banks had no sub-prime exposure. "Israel's banks said 'No' to this paper," said Fischer. Furthermore, he added, Israel's mortgage market is conservative, which had been a source of complaint for years but has now been proven to have been wise.

As for banking regulation and supervision, Fischer said that one of his main conclusions from the crisis was that banking and capital market supervision was vital and must be undertaken by the central bank, at least as far as the banking system is concerned. Fischer noted that fiscal policy carried special importance in times as these. He said that the government spending growth cap of 1.7% of GDP was important and established a framework for the budget. "The deficit will be larger than expected because tax receipts are going to be less than projected as a result of the slowdown. Nevertheless, the deficit will serve as an automatic stabilizer." Fischer continued, "The Ministry of Finance's officials are one of our great advantages. The elections will affect fiscal policy, and many things will be said during the campaign. At the end of the day, the new government will have to decide whether it will continue to conduct a responsible fiscal policy. We're ready for all eventualities." (Globes 03.11)

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1.2 Bank of Israel Says Israel's Economy in Best Ever Shape

Globes quoted Deputy Governor of the Bank of Israel Prof. Zvi Eckstein saying "The global financial crisis, the worst since 1930, finds the Israeli economy in its best ever shape since independence (sic) in 1948." He made these remarks to the Global Interdependence Center (GIC) conference at the Hebrew University of Jerusalem on 3 November. Eckstein added, "Our ability to deal with the crisis is largely thanks to the keeping to the budget framework through sound fiscal policy, and price stability, which is achieved through monetary policy, as well as a balance between imports and exports." Eckstein continued, "Maintaining a stable economic policy contributes to social welfare, which is exposed to global economic shocks, and is often the result of an economic crisis brought about by the security situation." Eckstein said that the Ministry of Finance, the Israel Securities Authority, and the Bank of Israel were closely monitoring developments in the Israeli and global financial markets. He said that the response by the Israeli market was in line with international trends, but that there is no need for significant intervention in Israeli markets. "The minister of finance and the Bank of Israel governor set the policies with regard to the financial crisis, after consulting with the professional teams." (Globes 03.11)

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2: ISRAEL MARKET & BUSINESS NEWS

2.1 Better Place to Import US Electric Cars

The Israeli firm Better Place is reportedly planning to import US electric cars for field tests in Israel. An initial ten cars will be imported to test the recharging infrastructure and navigation technology, train technical teams, and to demonstrate the potential of the electric car fleet to potential customers. It is not yet clear which platform will be the basis for the electric car. However, industry sources believe that it will be a family car made by either Chrysler or Chevrolet, both of which sell cars in Israel. This will facilitate standards procedures. Alternatively, European cars, possibly made by Renault SA will be flown to the US where they will be fitted with electric motors and batteries. The selection of the US was apparently driven by A123 Systems Inc., a US manufacturer of lithium batteries, recently acquired by Ofer Holdings Group. Ofer Holdings' subsidiary Israel Corp. is a major investor in Better Place. Vehicle industry sources said that Better Place will have to obtain a lot of extraordinary import permits from the Ministry of Transport in order to bring the electric cars to Israel. This is partly because of the need to circumvent current import regulations and standards, such as the ban on imports in commercial quantities for of vehicles which there are no authorized garages or spare parts of the carmakers. The import duty on electric cars is also unclear. (Globes 03.11)

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2.2 BlackBerry Partners Fund Announces Investments in WorldMate

The BlackBerry Partners Fund LP, a $150 million venture capital fund formed to focus on applications and services for the BlackBerry and other mobile platforms, announced that the Fund has made investments in WorldMate. WorldMate, a company that has paved the way for mobile travel innovation and serves over one million frequent flyers and road warriors around the world, has raised $8 million in a Series C Preferred Stock financing with BlackBerry Partners Fund, Motorola Ventures and AMC Communications. Based in Lod, Israel, privately held WorldMate (http://www.mobimate.com) develops award-winning mobile travel software. Removing stress and paperwork from the travel experience, WorldMate turns a mobile device into a personal travel companion, providing frequent fliers all the travel services they need at home, work or on the go. Dubbed a traveler's “guardian angel,” the newest addition to the WorldMate product family, WorldMate Live, tracks every trip and sends real-time “push” alerts about itinerary updates and changes, including flight delays and cancellations. WorldMate products also feature travel resources, such as flight schedules, weather forecasts, travel directories, maps, world clocks, a currency converter and much more. (BlackBerry29.10)

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2.3 Mellanox Ranked #23 in the 2008 Deloitte Israel Technology Fast 50

Yokneam's Mellanox Technologies (http://www.mellanox.com), a leading supplier of semiconductor-based server and storage interconnect products, has been named to 2008 Deloitte Israel Technology Fast 50, a ranking of the 50 fastest growing technology companies in Israel. Rankings are based on the percentage revenue growth over five years from fiscal years 2003–2007. Mellanox's increase in revenues of 728% from fiscal years 2003 to 2007 resulted in a 23 ranking in the 2008 Deloitte Israel Technology Fast 50. (Mellanox03.11)

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2.4 Voltaire Named Among Fastest Growing Companies in Israel by Deloitte Israel Technology Fast 50

Voltaire has been named the second-fastest growing company on the 2008 Deloitte Israel Technology Fast 50, a ranking of the fastest growing technology companies in Israel. To determine the fastest growing companies, Deloitte reviewed fiscal year revenues over five years (2003-2007), calculated the revenue growth percentage over five years, and compared the growth of technology companies. Herzliya's Voltaire (http://www.voltaire.com) designs and develops server and storage switching and software solutions that enable high-performance grid computing within the data center. Voltaire refers to its server and storage switching and software solutions as the Voltaire Grid Backbone. Voltaire's products leverage InfiniBand technology and include director-class switches, multi-service switches, fixed-port configuration switches, Ethernet and Fiber Channel routers and standards-based driver and management software. Voltaire's solutions have been sold to a wide range of end customers including governmental, research and educational organizations, as well as market-leading enterprises in the manufacturing, oil and gas, entertainment, life sciences and financial services industries. (Voltaire 03.11)

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2.5 Runcom Ranked First in 2008 Deloitte Israel Technology Fast 50

Rishon LeZion's Runcom Technologies was announced as the fastest-growing high-tech company in Israel for 2008. The announcement was made by Deloitte, the global accounting firm, in its annual Technology Fast 50 program in Israel. Runcom is the world's pioneer of OFDMA and a market leader of OFDMA solutions complying with the IEEE802.16e-2005 standard for WiMAX applications. The Program is looking for high tech companies that achieve outstanding 5-year revenue growth. Runcom is not new in this program as it was already ranked very high in the 2006 and 2007 programs but it is the first time Runcom is awarded the lucrative first place. Runcom (http://www.runcom.com) is a technology company pioneering OFDMA technology and offering end-to-end solutions for equipment vendors, system integrators and communication operators that comply with the IEEE802.16e-2005 standard for WiBro and Mobile WiMAX applications; Runcom products include silicon solutions for user-terminals and base-stations, as well as complete Network Operating Center (NOC) equipment including ASN Gateways and AAA servers. (Runcom 03.11)

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2.6 Tower Semiconductor Ranked by Deloitte Israel as One of "2008 Technology Fast 50"

Tower Semiconductor was selected as one of the 2008 Deloitte Israel "Technology Fast 50", a ranking of the 50 fastest growing technology companies in Israel, for the second year in a row. The program ranks Israeli technology companies based on their five-year revenue growth between 2003 and 2007. With its 276% growth rate over five years, Tower Semiconductor has proven that its leadership has the vision and determination to grow even in difficult conditions. The 'Fast 50' award recognizes Tower's accomplishments during the past years and serves as a token of recognition to the turnaround Tower has demonstrated. Migdal Ha'Emek's Tower Semiconductor (http://www.towersemi.com) is a pure-play independent specialty wafer foundry. Tower manufactures integrated circuits with geometries ranging from 1.0 to 0.13-micron; it also provides complementary technical services and design support. In addition to digital CMOS process technology, Tower offers advanced mixed-signal & RF-CMOS, Power Management, CMOS image-sensor and non-volatile memory technologies. (Tower Semiconductor04.11)

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2.7 Elron Group Companies Chosen among Israel's Fastest Growing Companies for 2008 by Deloitte Fast 50

Elron Electronic Industries announced that three of its group companies – Aqwise, Safend and Jordan Valley – were named among Deloitte's Israel Technology Fast 50 winners for 2008. Each year, the Deloitte Brightman Almagor Zohar Technology Fast 50 recognizes and honors the 50 fastest growing technology companies in Israel. Aqwise – Wise Water Solutions (http://www.aqwise.com), 34% held by Elron, provides advanced biological wastewater treatment solutions. Aqwise's solutions are successfully installed worldwide in dozens of municipal and industrial plants, and may be used for rapid, scalable and economical upgrade of existing plants or for new plants which require a limited footprint. Safend (http://www.safend.com), 27% held by Elron, develops comprehensive endpoint security solutions that enable organizations to adopt new technologies and enhance productivity without sacrificing information security and while adhering to data privacy standards. Jordan Valley Semiconductors (http://www.jvsemi.com), 20% held by Elron, is a provider of semiconductor metrology solutions. Jordan Valley's platform uses multiple x-ray based technologies to effectively measure thickness, density, roughness and composition of advanced thin films used in semiconductor processing.

Elron Electronic Industries (http://www.elron.com), a member of the IDB Holding group, is a leading Israel-based technology holding company directly involved in the long-term performance of its group companies. Elron's group companies currently comprise a diverse range of publicly-traded and privately held companies primarily in the fields of medical devices, information & communications technology, clean technology and semiconductors. (Elron 05.11)

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2.8 RADWIN Named Among Fastest Growing Companies in Israel by Deloitte Israel Technology Fast 50

Tel Aviv's RADWIN (http://www.radwin.com), a leading global provider of advanced wireless broadband solutions, has been ranked as the fifth fastest growing company on the 2008 Deloitte Israel Technology Fast 50, a ranking of the 50 fastest growing technology companies in Israel. RADWIN delivers wireless backhaul and broadband access solutions in the sub-6GHz space, empowering carriers and service providers to connect subscribers everywhere. Whether voice, data or video streaming, the company provides wireless broadband solutions of unrivaled performance, capacity, range and quality at competitive prices. Established in 1997, RADWIN has installations in over 110 countries around the world. (Radwin05.11)

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2.9 Aternity Named to Annual Top 10 List of Most Promising Startups

Aternity (http://www.aternity.com), the industry's technology leader in end user experience management solutions for Global 1000 enterprises, announced that it has been named as one of the top 10 “most promising startups of 2008,” by Globes, the national Israeli business newspaper. Aternity was bestowed the honor on Monday at the 12th Annual Conference for Venture Capitalists and Entrepreneurs of Emerging Growth Companies, hosted by Globes and Ernst & Young. This is the fourth year that Globes published this ranking. The companies are shortlisted by a distinguished panel of judges, which includes venture capitalists, R&D center managers, angel investors and prominent business leaders. Aternity was ranked by Globes as the seventh most promising startup with Israeli roots. After the US, Israel has the largest number of high-tech startups – and 80% of the 3,000 Israeli companies involved in R&D are less than 10 years old. Newsweek has called Israel Silicon Valley's only rival outside the US; Fortune magazine has lauded its technological innovations.

Aternity redefines end user experience management by providing the industry's first frontline performance intelligence platform designed to dramatically reduce business disruptions and significantly increase end user productivity. With Aternity, Global 1000 enterprises benefit from a 360 degree view of frontline user experience, self-learning, preemptive problem detection and right-time decision support. Aternity achieves this by uniquely transforming every desktop – real or virtual – into a self-monitoring platform that is user-experience aware. (Aternity 04.11)

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2.10 Gizmox Dares Hackers to Break Into Visual WebGui Application

Tel Aviv's Gizmox (http://www.visualwebgui.com), the developer of Visual WebGui open source platform, announced a contest, sponsored by the Company, which will pay $10,000 to anyone who can hack into its Visual WebGui Platform. The Contest will take the shape of an investigation into the identity of a secret agent. The goal of the contest is to uncover the true identity of their secret agent, code named OWL. The Contest will feature a flash movie presented within the Visual WebGui application that will contain the data necessary to uncovering the identity of the OWL. Participants will be required to provide a reproducible pathway into the Visual WebGui Pipeline (without having to penetrate any non Visual WebGui Peripherals) in order to claim the prize. The contest began on 3 November and ends on 30 January. Participants must register to receive login information and contest details. Gizmox, the developer of Visual WebGui open source platform and a member of Microsoft's Visual Studio Industry Partner (VSIP) program was founded in July 2007. Gizmox enables web like desktop platfortms; its DHTML SDK has been downloaded by over 250,000 people with more than 23,000 registered users. (Gizmox03.11)

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2.11 Correlix Attracts New Investor Vernon & Park Capital, L.P.

Correlix has secured funding from Vernon & Park Capital, L.P., a private equity firm that specializes in the exchanges and financial markets sector. Correlix will use the new financing to further enrich its Latency Intelligence solutions and to expand globally to meet the demands of its growing, global customer base. Correlix, who just two months ago raised $8m in a funding round led by Sequoia Capital, attracted additional financing from Vernon & Park Capital who along with other Correlix investors see a need for latency solutions to benchmark and optimize resource utilization. Correlix's innovative Latency Intelligence solution enables pinpointing performance optimization points to reduce trade execution and market data latency, saving precious milliseconds on every trade.

Correlix (http://www.correlix.com) provides Latency Intelligence software that pinpoints and quantifies sources of latency for the capital markets industry. Customers rely on Correlix to monitor measure and minimize latency in trade execution and market data flow in real-time. This empowers users to execute a trade or deliver and act on market data in fewer milliseconds. Correlix customers include capital market firms on the buy and sell-side and in exchange environments. Established in 2005, Correlix is headquartered in New York with research and development offices in Herzliya Pituah. (Correlix 03.11)

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2.12 Shanghai Stock Exchange & Tel Aviv Stock Exchange Sign Cooperation Agreement

The Shanghai Stock Exchange and the Tel Aviv Stock Exchange (TASE) have signed a memorandum of understanding (MOU). This MOU will manifest in an enhanced cooperation between the two exchanges. A key aspect of the MOU will be an exchange of delegations, to deepen Israeli businessmen's knowledge of the Chinese market and Stock Exchange and vice versa. These reciprocal visits will hopefully generate and promote interest in both markets, and will encourage investment and cooperation in various aspects of the markets and economies. Established in 1935, the Tel Aviv Stock Exchange (http://www.tase.co.il) is a fully-automated exchange with a central order book trading system. With approximately 633 listed companies and a total market capitalization of US$208b, the Exchange is a 'one-stop shop' for capital market activity in Israel, with an increasingly sophisticated range of products available to investors, including 120 ETFs (Index Products). The state-of-the-art Exchange is also home to the local investment community and securities sector. Today the market has become an advanced, top of the line venue for trading in securities of all types. (TASE10.11)

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2.13 iSkoot Raises $19m in Series C Round

iSkoot has secured $19m in a Series C funding round. The round was led by Vision Opportunity Master Fund and included participation from existing investors Charles River Ventures, Khosla Ventures, Jesselson Capital Corporation and ZG Ventures. iSkoot will use this round of funding to support introduction of a groundbreaking suite of mobile communication solutions and maintain its position at the leading edge of mobile experience development. With its recent acquisition of Social.IM - the desktop IM client that brings real-time communication and notifications to social networks - iSkoot is well-positioned to introduce a new class of highly integrated Web/mobile communications. San Francisco-based iSkoot (http://www.iskoot.com), with offices in Beit Shemesh, Israel, brings leading Web services like Skype to mobile handsets around the world. iSkoot worked with Skype and Hutchison 3 to launch the first carrier-deployed mobile Skype application in 2006, and to develop the award-winning 3 Skypephone, currently sold in eight countries on three continents. (iSkoot 07.11)

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3: REGIONAL PRIVATE SECTOR NEWS

3.1 Saks Incorporated Announces Saks Fifth Avenue's Bahrain Opening

Retailer Saks Incorporated has expanded its international presence by the opening of its first licensed Saks Fifth Avenue store in Bahrain. The two-level, 57,600 square foot store is located in the Bahrain City Centre, an upscale development in Manama, Bahrain. The Bahrain Saks Fifth Avenue store is congruent with the Saks Fifth Avenue stores in the US in both product and service, while catering to local tastes and preferences. The unique store includes distinctive offerings from established and emerging American and international designers and presents a sought-after collection of fine designer apparel for Men and Women as well as jewelry, accessories, handbags, fragrances, cosmetics, intimate apparel, bridal, children's apparel, and select gift items. The store will also feature Saks Fifth Avenue's world-famous 10022-SHOE salon. In 2003, the Company entered into a license agreement with Style Avenue Middle East (SAME) to open licensed Saks Fifth Avenue stores in the United Arab Emirates, Qatar, Kuwait and Bahrain. The Bahrain location will be the third store opened under this agreement. The first location was opened in Dubai, U.A.E. in September 2004, and a separate Saks Fifth Avenue men's store was opened in Dubai in June of this year. (Sachs08.11)

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3.2 Bahrain Suffering Diabetes Crisis, Says Health Official

More than a quarter of Bahrainis have developed type 2 or adult-onset diabetes, mainly caused by poor diet and overeating, the Health Ministry announced. Some 27% have developed the illness while more than 1,000 children, aged below 15, have been diagnosed with juvenile type 1 diabetes. Type 1 diabetes is the second most common chronic disease among children after asthma while type 2 diabetes can lead to blindness, limb amputation, kidney failure, cardiovascular diseases and strokes. The Bahrain Diabetes Society cited obesity and wrong eating habits as the main causes of juvenile diabetes. (GN11.11)

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3.3 Intel Announces First Persian Gulf Investment

The investment arm of Intel, along with Dubai Silicon Oasis Authority, has made a joint investment of an undisclosed amount in Sphere, which produces next generation network management software. Sphere said that the investment would help it to expand both its technology base and to develop sales and marketing to deliver its products to market. The start-up employs 26 people in the UAE, developing enterprise level network management solutions, which are already in use with a number of government customers in the region. The company will not only gain investment from Intel and DSO, but will also receive support to market products, and access to Intel technologies. While Sphere is presently focused on the Gulf and Middle East region, the deal will help the company to extend its reach for marketing. Intel said it was looking at several other investments in the region, but declined to give details at this time. Sphere was set up in 2005 in Dubai Silicon Oasis, which also has a 30% stake in the company. Intel Capital has invested around $7.5b in technology businesses across the world since it was established in 1991, but during that time has only made on Middle East investment, partnering with Egyptian mobile operator Orascom Telecom. (Various29.10)

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3.4 USSABC to Lead Mission to Saudi Arabia From Virginia

The U.S.-Saudi Arabian Business Council (USSABC), in collaboration with the Virginia Economic Development Partnership (VEDP), the authority responsible for the promotion of economic expansion within the Commonwealth of Virginia, will lead a delegation of Virginia companies on a business development mission to Saudi Arabia, November 15-17, 2008. This is the second mission to Saudi Arabia that the USSABC has organized this month. During the three-day mission, the delegation will visit the various chambers of commerce and industry in Dammam and Riyadh, two of Saudi Arabia's major commercial centers. The delegation will also attend numerous meetings designed to familiarize the participants with the $1 trillion worth of business opportunities that Saudi Arabia has allocated for all the Kingdom's main sectors through 2020. The USSABC will arrange one-on-one appointments for each of the participants and various networking events throughout the mission, giving the Virginia companies the possibility to meet representatives from the Saudi private sector and explore potential business partnerships. Additionally, the delegation will be briefed by officials on issues of current bilateral trade, as well as receive an update on the aspects of doing business in Saudi Arabia. In 2007, the USSABC entered into a strategic alliance agreement with the VEDP. Under the agreement, the USSABC will represent the interests of the VEDP's Division of International Trade in Saudi Arabia, in effect supporting Virginia's efforts to develop its exports to Saudi Arabia. (USSABC10.11)

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3.5 New Saudi Distribution Agreement for Ingen Technologies

Yucaipa, California's Ingen Technologies, an emerging medical device manufacturer, announced that it has signed a 3-year exclusive Distribution Agreement with Batterjee Medical Services. The Agreement calls for exclusive distribution of Oxyview and OxyAlert within the Kingdom of Saudi Arabia. The first 500 Oxyview units were delivered on October 30, 2008, and another 50,000 units are expected in December 2008. The annualized sales estimates from this Agreement could represent as much as $7 to $12m in new sales and represents a major push into the respiratory market estimated at $4b. Batterjee Medical Services is a part of the AM Batterjee Group of companies, based in Jeddah, Saudi Arabia. This very well respected company is affiliated with the family owned chain of hospitals throughout the Middle East, a private medical University, and services and products throughout Saudi Arabia and the GCC. There are 386 Hospitals in Saudi Arabia serving a population of more than 23m people. Chronic respiratory diseases represent a public health challenge in both industrialized and developing countries. According to recent studies performed in Saudi Arabia, COPD was found to be the second leading cause of hospitalizations (17.2%) among patients with respiratory disorders. Men are twice affected as women and the age group mostly involved is 46-65 years. (Ingen 10.11)

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3.6 SeaChange Partners with Turkey's Argela to Extend Broadband TV Operators' Services

Acton, Massachusetts' SeaChange International, a leading provider of IPTV and video-on-demand (VOD) software, systems and services, today announced that it is partnering with Turkey-based Argela, a leading provider of next-generation telecom solutions to serve the growing global market for IPTV. Turk Telekom, one of Europe's largest telecommunications companies, is the first customer of the partnership, for which SeaChange is also providing systems integration and professional services. SeaChange and Argela's combined product offering will enable telco network operators to offer telephony, messaging, Internet access, mobility services, VOD and personal video recording services that integrate seamlessly with their service delivery platforms (SDP). The companies are partnered to bring these services to the rapidly growing market for IPTV, which SNL Kagan estimates will reach at least 46m subscribers globally by 2012. (SeaChange03.11)

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3.7 Misonix Announces New Distribution Agreement for Greece

Farmingdale, NY's Misonix, a developer of minimally invasive ultrasonic medical device technology, which in Europe is used for the ablation of cancer and worldwide for other acute health conditions, has entered into a new, five year, exclusive distribution agreement with privately-held ST-Medical, based in Athens, Greece, for the distribution of the SonaStar Ultrasonic Surgical Aspirator, the BoneScalpel Ultrasonic Bone Cutter and the SonicOne Ultrasonic Wound Debrider. The agreement provides ST-Medical with the rights to sell in Greece and Cyprus, and includes minimum purchase requirements. ST-Medical previously distributed only the SonaStar Ultrasonic Surgical Aspirator. ST-Medical, who has experienced rapid sales growth for several years, has built a reputation as a distributor of state-of-the-art medical devices and capital equipment, with special emphasis on neurosurgery and spine surgery. (Misonix31.10)

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3.8 GraphOn Signs with LEX to Market GO-Global in Greece, Turkey & Cyprus

Santa Cruz, California's GraphOn Corporation, a leading worldwide developer of thin-client application publishing and Web-enabling solutions, today announced a reseller agreement with LEX Computer Systems to market GraphOn's GO-Global for Windows software in Greece, Turkey and Cyprus. GO-Global is a fast and affordable remote application delivery solution that provides secure, Web-enabled access to centrally-running Windows applications from any platform and operating system, including UNIX, Linux, Mac OS X, Windows, Windows Mobile and Pocket PC. Founded in 1995, LEX Computer Systems is a solution-focused company headquartered in Athens, Greece. The company offers multi-platform software and appliance-based technology designed to empower the delivery of key applications within the distributed Wide Area Network or Internet/Intranet powered organization. LEX's customer base comprises hundreds of firms who depend on the company's valued expertise to solve mission-critical digital challenges. (GraphOn 03.11)

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4: ISRAEL MACRO-DEVELOPMENTS

4.1 Arava Power 500 Megawatts Solar Potential Achieved

On 3 November, Arava Power Company (APC), formed to develop solar fields nationwide, announced agreements for cooperation with 15 kibbutzim that have land available on a scale sufficient for output of 500 megawatts of solar energy in upcoming years, and even more thereafter. The 15 kibbutzim signed exclusive cooperation agreements with APC, and in upcoming months more are expected to join the network. In addition, APC announced that for the purpose of achieving these solar field development goals, it is asking the plenum of the Public Utilities Authority-Electricity (PUA) and the Infrastructure Minister to immediately approve the FIT for mid-sized (up to five megawatts' output) solar fields, and to adjust the existing tariff, which today is not in use, for large (5-25 megawatts and over) photovoltaic (PV) facilities. Arava Power Company (http://www.aravapower.com), located at Kibbutz Ketura in the Southern Arava, was formed in 2006. APC's goal is to enable Israel to produce enough solar energy so that by 2020, at least 20% of Israel's energy needs will be supplied by the sun. To that end, APC intends to be Israel's main solar energy producer. (APC03.11)

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4.2 Moscow Invests $100 Million in Dead Sea Resort

The Jerusalem Post reported that the city of Moscow will invest $100m through a subsidiary to build a luxury resort hotel in Ein Bokek, on the southern shores of the Dead Sea. The Moscow municipality will subsidize flights and accommodation packages at the resort for city residents. Moscow is considered one of the three richest cities in the world, with an annual municipal budget of about $50 billion. Israel aims to boost the number of tourists to the country to about 5 million by 2012, from 2.3 million last year. About 9% of the visitors last year were from Russia. Russia and Israel signed a visa-free travel agreement this year, effective from September 20, which is expected to increase the number of Russian tourists to 400,000 in 2009. The 240 room hotel, with two indoor swimming pools and a helipad, will be built by the Sun Dream Company, which is jointly owned the Moscow municipality and the Intercons Corporation. Construction will begin within the next few months. There are currently 4,000 rooms available in the Dead Sea area. (JP06.11)

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5: ARAB STATE & PAKISTANI DEVELOPMENTS

5.1 Gulf Investment in the Middle East 'Waning'

Middle Eastern economies reliant on Gulf capital inflows for booming economic growth are seeing a drop in investment. This follows the global financial crisis that has curtailed investors' appetite for the region, bankers and analysts said. Cash-rich Gulf countries had poured billions of dollars in Egypt, Jordan, Lebanon and Syria as they invested in mega-real estate projects, equities and energy and telecom companies beyond their domestic markets. The IMF's latest report projected that growth could decelerate to 6% in 2009 from 6.5% in 2008 in emerging markets countries such as Egypt, Tunisia, Jordan, Morocco and Lebanon as a result of the global slowdown. The global credit crisis has left local Middle East investors partnered with Gulf Arab investors uncertain about the changing credit terms for the financing of large real estate projects already underway, or infrastructure projects in the pipeline that rely on higher debt than equity. Although bankers already cite a drop in inflows and delays in future projects in the Middle East, they say the future will depend on how pronounced the impact of the global crisis will be on the oil-fuelled boom in the Gulf. (AB04.11)

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5.2 US Treasury Meets With Gulf SWFs

Officials from the US Treasury met with representatives from Gulf sovereign wealth funds (SWFs) in late October during a trip to the region. Deputy Secretary of the Treasury Kimmitt said the Treasury wants to make clear the United States is open to investment from SWFs. Gulf SWFs in the last 12 months have invested billions of dollars in emergency funding into troubled US financial institutions grappling to cope with the fallout from the subprime crisis and ensuing credit crunch. The Abu Dhabi Investment Authority (ADIA) agreed in November to buy $7.5b of stock in Citigroup, while the Kuwait Investment Authority (KIA) in January invested $5b in Merrill Lynch and Citigroup. The KIA has also bought almost $800m of shares in the initial public offering of credit card firm Visa. However, politicians in the United States have expressed concern that state-backed funds could harbor political motivation rather than strictly commercial, leading to some funds to look elsewhere to invest their money. In September, the UAE central bank opened a 50 billion-dirham emergency facility for banks to tap, with the funds offered at a premium to market rates. Then in October the UAE Ministry of Finance said it was injecting a separate 25 billion dirhams of funds directly into the banking system, in the form of long-term deposits. The UAE has also said it will guarantee all bank deposits and interbank lending in a bid to boost confidence in the health of the financial sector. (AB29.10)

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6: TURKISH, CYPRIOT, GREEK & BULGARIAN DEVELOPMENTS

6.1 Turkey's Trade Deficit Narrows in September

Turkey's September trade deficit narrowed 7% from a year earlier to $5.042b, the national statistics office announced on 1 November. September exports rose 42% year-on-year to $12.831b, while imports climbed 23.6% to $17.873b, resulting in a trade deficit that was smaller than the $6.1b expected by economists. The trade deficit for the first nine months of the year widened to $58.169b, 28.3% higher than the same period in 2007. (FM01.11)

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6.2 Turkish inflation Rises in Face of Falling Lira

Turkey's weakening lira currency will boost fourth-quarter inflation, the Turkish central bank announced in 31 October as it raised its forecast for end-2008 inflation by 0.5%age points to 11.1%. The lira has lost up to a third of its value against the dollar this year as Turkish financial markets have been hard hit by growing risk aversion toward emerging markets. Swings in the lira's exchange rate are expected to add 1.2%age points to inflation this year and 1.5 points in 2009, central bank Governor Yilmaz told a news conference on the bank's latest quarterly inflation report. (Various01.11)

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6.3 IMF Mission to Turkey Concludes Visit

A staff team from the International Monetary Fund (IMF) held discussions with the Turkish authorities and private sector representatives in Ankara and Istanbul during October 16-29 in the context of Post-Program Monitoring (PPM). The discussions were held against the backdrop of heightened risk aversion and financial market turmoil in emerging markets and advanced countries alike. The mission focused on the implications of global deleveraging for the Turkish economy and on the appropriate policy responses to minimize disruptive effects. At the conclusion of the mission, the team leader noted that the Turkish economy is more resilient today than in the past, but will unavoidably be affected by the retrenchment of inflows to emerging market countries. Buffers in bank and public balance sheets, the flexible exchange rate, and greater diversification of export markets have increased Turkey's ability to cope with shocks. However, its dependence on external financing exposes the economy to the effects of the global credit crunch. Macroeconomic policies should internalize the challenges posed by the difficult global economic environment. Specifically, (i) fiscal policy should aim to achieve the announced targets to help rein in financing needs and keep the debt-to-GDP ratio on a downward path; (ii) stronger fiscal performance would be facilitated by continued structural fiscal reforms, including by adopting a more rules-based fiscal framework, implementing stricter control of local government finances, and strengthening tax administration; (iii) monetary policy should continue to aim to bring inflation down to target. To this end, second-round effects of lira depreciation on inflation should be offset promptly; and (iv) tight oversight of the financial sector and flexibility in tackling potential liquidity pressures are warranted. From this perspective, the Central Bank's recent moves to enhance its liquidity management toolkit is welcome. (IMF30.10)

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6.4 Cyprus Economy €30 Million Larger Than Original Estimates

The size of the Cyprus economy in 2007 was €30.7m larger than initial estimates, according to revised national accounts figures from the Statistical Service. Gross domestic product (GDP) in 2007 is now estimated at €15.596b at current prices, compared with July estimate of €15.566b. However, the growth rate in real terms (adjusted for inflation) is the same, at 4.4%, up from 4.1% in 2006. The Statistical Service reported that the revised estimate is owing to the incorporation of latest figures for the general government (taxes and consumption), exports and imports of goods and services, as well as figures relating to net factor income from the rest of the world. Gross national income (formerly known as gross national product, or GNP), was revised down, as the figure for “net factor income from the rest of the world” was revised up from a negative €641.5m to €904.3m. A rise in outflows of factor income reflects either higher repatriation of profits from foreign companies doing business in Cyprus or higher remittances abroad from immigrants working in the country. (FM30.10)

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6.5 R&D Activity Grows Gradually in Cyprus

Cypriot research and development activity is inching up from a low base, according to the results of the ad hoc survey carried out by the Statistical Service for the collection of data on scientific research and experimental development (R&D). It found that total R & D expenditure in Cyprus for 2006 is estimated at €61.4m, or 0.43% of Gross Domestic Product (GDP). Although this is tiny, it rose from €54.4m or 0.40% of GDP in 2005 and €46.5m or 0.37% in 2004. Despite the increase the share R & D activities is the lowest in the EU.

The average share of R & D expenditure in GDP is 1.84% in the EU, ranging from lows of 0.43% in Cyprus, 0.45% in Romania and 0.48% in Bulgaria, to highs of 2.51% in Germany, 3.45% in Finland and 3.73% in Sweden. By sector of performance, the higher education institutions accounted for €25.3m or 41.3% of total R&D expenditure; the government for €17.6m or 28.6%; the business enterprises for €14.0m or 22.7% and the private non-profit institutions for €4.5m or 7.4%. In the business enterprise sector, computer and related activities constituted the principal source of R&D activity, with a total R & D expenditure of €5.2m, while of particular importance was also the contribution of the manufacturing industry (and particularly the manufacturers of chemicals and chemical products) with €4.4m. The biggest part of R&D expenditure was devoted to the natural sciences (€20.8m), while engineering and technology absorbed €12.1m, the social sciences €10.3m, the agricultural sciences €9.8m, the humanities €4.7m and the medical sciences €3.6m. (FM30.10)

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6.6 Three-Quarters Of Cypriots Now Have Broadband

The proportion of households in the Republic of Cyprus with broadband access to the internet leapt during 2007 according to the latest information society statistics from the Statistical Service. Broadband connections rose to 75.1% of total subscriptions in 2007 from 58.2% in 2006, while dial-up and ISDN connections decreased. The percentage of households with a computer in Cyprus reached 53% in 2007, up from 52% in 2006, while 39% of households had Internet access. At the same time, the number of internet subscriptions reached 173 per 1,000 inhabitants in 2007, compared with 140 in 2006. Primary education is getting wired faster than secondary education. The number of computers connected to the internet with high speed connections in the primary education sector rose from 2.8 computers per 100 pupils in 2006 to 5.1 in 2007. A smaller increase was observed in secondary education, where the number of computers was 13.0 in 2007 compared to 11.7 in 2006. Mobile subscriptions per 1,000 inhabitants reached 1,219 in 2007, compared with 1,114 in 2006, meaning that on average one in five people carries a second mobile phone number. At the same time, the number of analogue telephone lines per 1,000 inhabitants decreased from 495 in 2006 to 486 in 2007. (FM30.10)

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6.7 Greece's GDP Seen Slowing to 3.1% in 2008

Greece's economic growth is expected to slow this year to an annual rate of 3.1%, from 4% in 2007, due to a drop-off in private consumption and declining corporate investment, according to the European Commission. The European Union's executive arm said in its autumn forecasts made public yesterday that deteriorating confidence and financial uncertainty are hurting consumption, with investment expected to worsen on the back of a weakening housing sector. “In spite of this, economic activity is estimated to continue to grow at well above the EU average,” it said in a statement. The EU's 27-nation bloc is estimated to grow at a rate of 1.4% this year, with a slowdown to 0.2% seen for next year. Greece's €246b economy is tipped to grow by 2.5% next year. Regarding government finances, the overall budgetary position among European Union member states is expected to deteriorate with the rescue packages possibly raising debt, the Commission said. Greece is seen reporting a budget deficit of 2.5% of GDP this year, versus an estimated 3.5% in 2007. (Kathimerini05.11)

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6.8 Greek Economic Growth To Exceed EU Average in 2009-2010

Economic growth rates in Greece will exceed Eurozone's average growth rates in the 2009-2010 period, the European Commission said in its autumn forecasts on the EU economy. The EU's executive said it expected Greek GDP to grow by 2.5% in 2009 and 2.6% in 2010, sharply up from 0.1% and 0.9% in the Eurozone over the same period, respectively and growth rates of 0.2% and 1.1% in the EU-27. Greek economic growth was 3.1% in 2008, the Commission said. The country's fiscal deficit was 3.5% of GDP in 2007 and was expected to fall to 2.5% of GDP this year. The Commission forecasts that the Greek fiscal deficit would fall to 2.2% in 2009 only to rise again to 3.0% in 2010. Public debt was 94.8% of GDP in 2007 and was expected to ease to 93.4% in 2008, 92.2% in 2009 and 91.9% in 2010. Greek unemployment is forecast to rise to 9.0% in 2008 (7.6% in the Eurozone and 7.0% in the EU-27), rising to 9.2% in 2009 (8.4% and 7.8% in the Eurozone and in the EU-27) and to 9.3% in 2010 (8.7% and 8.1%, respectively). The EU executive also forecast that Greek inflation would rise from 3.0% in 2007 to 4.4% in 2008 and to fall to 3.5% in 2009 and 3.3% in 2010). (HRI04.11)

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6.9 Fitch Downgrades Bulgaria's Sovereign Ratings

Following the conclusion of its global review of the sovereign ratings of 17 major investment-grade 'emerging market' economies, on 9 November Fitch Ratings (http://www.fitchratings.com) downgraded the sovereign ratings of Bulgaria. Since the onset of the credit crunch in August 2007, Fitch has downgraded the foreign currency ratings of nine countries in emerging Europe by a total of 11 notches, compared with just three upgrades. Moreover, eight countries are now on Negative Outlooks - a record level for the region - while no countries are on Positive Outlooks, signaling that ratings remain under downward pressure. Bulgaria's downgrade reflects the increasing risk of a recession in response to a marked decline in external financing flows, which will necessitate a sharp contraction in domestic demand to rein in the current account deficit. However, given the strong sovereign balance sheet - large fiscal reserves mean that government net financial liabilities are virtually zero - and the broad-based commitment to the currency board arrangement (CBA), Fitch believes the risk of recession broadening into a deeper economic and financial crisis over the medium-term is limited and consistent with a Stable Outlook. (Fitch09.11)

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7: GENERAL NEWS AND INTEREST

*ISRAEL:

7.1 Magen David Adom Signs Deal With Indonesian First-Response Organization

The Indonesian Rescue and Emergency Organization - Persyarikatan Muhammadiyah, run by that nation's second-largest Islamic movement, signed an agreement on 29 October night in Tel Aviv with Israel's first-response organization, Magen David Adom (MDA). As Indonesia has no diplomatic relations with Israel, the agreement was formally signed by representatives of Muhammadiyah. However, the Islamic reformist organization operates dozens of clinics, hospitals, orphanages, schools and universities in Indonesia, and has been recognized by the Indonesian government and by international organizations. The head of Muhammadiyah, Dr. Markus, was the most senior Indonesian representative to make an official visit to Israel. The main points of the $200,000 agreement concern sharing knowledge in emergency medical services and planning work protocols for the Indonesian health system. The practical and managerial knowledge will be implemented by internationally-recognized MDA specialists. The Indonesians will share their experience in preparing for, and responding to, natural disasters. Cooperation between MDA and the Indonesian rescue and emergency organization began approximately one year ago, with the arrival of a delegation of Indonesian health and community organization officials for an MDA course in Israel. (IsraelNN31.10)

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7.2 More Than 1,000 Israeli Arabs In National Service

The number of Arab-Israelis performing national service has quadrupled in the last two years and now exceeds a thousand, according to government statistics. The figure had increased from 230 two years ago to 630 last year before already surpassing more than 1,000 volunteers for the 2008/2009 fiscal year. More than 80% of the Arab participants are women, officials said. Since it was established in the early 1970s, voluntary service has been limited mostly to modern Orthodox women. But last year, the government adopted the Ivry Commission's recommendations to open up service to the haredi sector, Arabs and other youth exempted from compulsory military service. The government also established the Administration for Civilian National Service to this end. National service has become an increasingly controversial issue and many Arab-Israeli leaders and politicians are opposed to the idea. However, a survey conducted by Smooha in 2007 found that 77% of the Arab-Israeli public was not even familiar with national service. The poll also found "considerable" support - ranging from 65% to 78% - for the idea. The study, however, acknowledged that the support voiced was influenced by the information provided to respondents. (IsraelNN30.10)

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*REGIONAL:

7.3 Turkish Female Deputies Want Penalty For Sexual Assault Doubled

Turkish female parliamentary deputies of the ruling Justice and Development Party, or AKP, submitted a proposal on 1 November to double penalties for sexual assault, just days after the release of a columnist accused of abusing a 14-year-old girl. The proposal to Parliament would increase penalties to between six months and four years imprisonment for the crime of sexual assault, which currently carries a jail term of between four months and three years. The proposal, submitted by the AKP Women's Branch head also includes other changes to the Turkish Penal Code, or TCK. Included are provisions that say if office relationships or hierarchies are used for sexual abuse, those found guilty will be imprisoned for six years. If victims are forced to leave their schools or homes or suffer psychological trauma, the minimum sentence will be two years. If the mental and physical health of the abused gets worse, the penalty is increased. The lower limit for the penalty starts from 15 years. It is still a crime to abuse a child, even if the victim's mental and physical health is not harmed, the sponsor said. (TDN01.11)

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7.4 Greek Parliament Passes 2010 Ban on Smoking In Public Places

A bill foreseeing the imposition of a blanket ban on smoking in public places from January 1, 2010, was voted through Parliament on 7 November. The bill, which was backed by all parties, will lead to smoking being prohibited in all restaurants, bars and offices and on public transport. In offices, and certain other spaces, designated areas will be set aside to accommodate smokers. The ambitious legislation also foresees fines of between 1,000 and 20,000 euros for traders found to have sold cigarettes or alcohol to minors. (grhomeboy08.11)

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8: ISRAEL LIFE SCIENCE NEWS

8.1 Dermipsor Reports Positive Phase 2b Results

Dermipsor reported a detailed analysis of the Phase 2b clinical trial results for its lead product, DPS-101, in psoriasis patients. DPS-101 is a novel topical non-steroidal combination of 2 active ingredients – calcipotriol and nicotinamide – for the treatment of plaque psoriasis. The Phase 2b dose-ranging study was a randomized, double-blind, placebo-controlled, 12 week, 7 arm study, conducted in several centers in Europe. The results show that 50% of patients receiving the highest dose of DPS-101 achieved a state of “clear to almost clear” at the end of the 12 week study. Furthermore, despite the small size of the groups (48 “test subjects” per group), high dose DPS-101 showed statistically significant efficacy relative to placebo (p=0.002), statistically significant efficacy relative to nicotinamide monotherapy (p=0.02), and a trend towards statistical significance vs. calcipotriol monotherapy (p=0.096). The study results also demonstrate the synergy between DPS-101's two active ingredients, such that the net efficacy of the drug (highest dose DPS-101 at the end of the study) is in fact greater than the sum of the efficacies of its two components – calcipotriol and nicotinamide – when administered separately.

Rehovot, Israel's Dermipsor (http://www.dermi-psor.com) is an advanced clinical stage drug development company focusing on novel therapies for the dermatology market. Dermipsor's lead product, DPS-101, is a novel non-steroidal synergistic combination topical treatment for mild to moderate Psoriasis. DPS-101 has successfully completed an FDA regulated phase IIb dose ranging study in psoriasis patients, demonstrating efficacy and excellent safety. DPS-101 is scheduled to enter a Pivotal Phase III study in 2009. Dermipsor's second product, DPS-102 for the treatment of scalp psoriasis, will start Phase II clinical studies in 2008. Dermipsor' pipeline includes additional products in earlier stages of development. (Dermipsor 29.10)

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8.2 Oridion Agreement With US Health Plan for Microstream Capnography

Oridion Systems announced a three-year purchase agreement with Kaiser Foundation Health Plan, The US' largest non-profit health care provider and the largest non-military medical customer in the world. The agreement is for Oridion patented capnography (Microstream) monitors and CO2 breath sampling consumables (FilterLine). With this agreement, Oridion becomes Kaiser's sole supplier for Oridion's consumable products, thus providing savings for the entire Kaiser system of hospitals and outpatient facilities. The Kaiser network includes more than 30 hospitals and some 400 other health care facilities. The agreement covers Microstream capnography monitors, including the Capnostream 20 with Smart Capnography. Smart Capnography is a family of superior algorithms and software that reduces alarms, improves workflow, and provides clinical utility for improved patient safety. The agreement also includes Oridion's single-use FilterLine CO2 breath-sampling lines, which contain unique, patented features that deliver the most accurate and reliable breath sampling results.

Jerusalem's Oridion Systems (http://www.oridion.com) is a global medical device company specializing in patient safety monitoring. The Company operates through wholly owned subsidiaries in the United States, Europe and Israel. Oridion develops proprietary medical devices and patient interfaces, based on its patented Microstream technologies, for the enhancement of patient safety through the monitoring of the carbon dioxide (CO2) in a patient's breath. (Oridion30.10)

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8.3 Medgenics Preliminary Data for Phase I/II Clinical Trial of EPODURE in Renal Anemia

Medgenics announced encouraging preliminary data for its Phase I/II clinical trial. The landmark Phase I/II clinical trial of Medgenics' EPODURE Biopump, for providing sustained treatment of anemia in subjects with chronic kidney disease, is underway. The current trial is designed to assess the safety and efficacy of the EPODURE Biopump in providing sustained elevation of hemoglobin by delivering sufficient supplemental amounts of the protein erythropoietin (EPO) for 3–6 months. Each subject will be monitored for 6 months after the EPODURE implantation. Further applications of the Biopump platform technology will be developed and tested from 2009 onwards. The Directors are encouraged by the fact that, although the trials are at an early stage, the elevated hemoglobin levels seen in the 2 subjects currently participating in the trial suggest that immunogenicity issues have not been encountered thus far. Immunogenicity is the triggering of a natural immune response by the human body which could halt the protein production of the Biopump and which is thought to have curtailed the duration of EPO delivery in the Company's previous Phase I Clinical Trials, in 2003. In the previous trial, elevated hemoglobin levels were not seen despite dosage levels at least three times higher than those used thus far in the current trial. The Directors believe that the elevated hemoglobin levels and the apparent immune acceptance of the implanted EPODURE Biopumps, should be viewed positively, although more definitive conclusions can only be drawn once more subjects have been tested for a longer period.

Medgenics' Biopump is a unique tissue-based platform technology that processes a toothpick sized sliver of the inner layer of the subject's skin and is designed to provide sustained-action protein therapy for the treatment of a range of chronic diseases. The Company's Directors believes that the Biopump platform technology will provide a wide range of advantages over existing protein therapies that will appeal and offer benefits to doctors, patients and third party payers (e.g. medical insurers).

Misgav's Medgenics (http://www.medgenics.com) is a clinical-stage biopharmaceutical company developing its unique tissue-based Biopump platform technology to provide sustained-action protein therapy for the treatment of a range of chronic diseases. The Company has demonstrated proof of principle of the Biopump treatment procedure in a clinical trial using a short-acting version of EPODURE in anemic subjects. The Company commenced a Phase I/II clinical trial for its long-acting version of EPODURE, designed to produce and deliver a therapeutic dose of EPO steadily for three to six months or more, in August 2008. The Company plans to follow with a clinical trial of INFRADURE in 2009. (Medgenics03.11)

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8.4 Teva's AZILECT Shown to Be a Selective MAO-B Inhibitor

Teva Pharmaceutical Industries announced results of a study in which Azilect (rasagiline tablets) demonstrated selective MAO–B inhibition at the approved dose of 1mg. Non selective MAO inhibitors may have some contra indications with certain foods and drugs. These limitations are not associated with selective MAO inhibitors and therefore they can be broadly prescribed. Based on these positive results, Teva will work with the U.S. FDA to modify the AZILECT label to reflect this data. Selectivity was tested by evaluating the interaction between tyramine and rasagiline in healthy subjects. This double blind placebo controlled study was conducted in order to comply with the FDA's requirement for full characterization of rasagiline's selectivity. In the study, rasagiline was compared to phenelzine, a known non-selective inhibitor. Teva Pharmaceutical Industries (http://www.tevapharm.com), headquartered in Israel, is among the top 20 pharmaceutical companies in the world and is the world's leading generic pharmaceutical company. The Company develops, manufactures and markets generic and innovative human pharmaceuticals and active pharmaceutical ingredients, as well as animal health pharmaceutical products. (Teva 04.11)

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9: ISRAEL PRODUCT & TECHNOLOGY NEWS

9.1 Ipswitch Licenses Commtouch Anti-Spam & Reputation Service for its SMB Mail Server

Augusta, Georgia's Ipswitch is planning to integrate Commtouch Anti-Spam and GlobalView Mail Reputation into its IMail Server product family. The IMail Server product line consists of email servers providing the essential communication and collaboration tools for small and medium businesses, at a lower total cost of ownership than most enterprise-oriented solutions. The IMail Server Plus and Premium versions will offer spam blocking powered by Commtouch technology. Ipswitch markets its solutions in over 120 countries through a network of channel partners. Netanya's Commtouch (http://www.commtouch.com) is the source of proven messaging and web security technology for scores of security companies and service providers, founded on a unique datacenter-based approach. Commtouch's expertise in building efficient, massive-scale security services has resulted in its patented technology being used to mitigate internet threats for thousands of organizations and hundreds of millions of users in over 100 countries. Commtouch's Global Detection Centers automatically analyze billions of transactions in real-time to identify new spam, malware and zombie outbreaks as they are initiated. (Commtouch30.10)

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9.2 N-trig Delivers Innovative Hands-On Computing to PC Industry

N-trig, providers of DuoSense technology, combining pen and capacitive touch in a single device, brings the power of technology and the human touch together to begin a new era in interface technologies and lead the Hands-on computing evolution. With the industry's only combined pen and multi-touch capabilities, N-trig is transforming the way people interact with computers. Touch has been present within the world of personal computing for several years and DuoSense takes the established technology to new levels enabling a more intuitive, personal and natural Hands-on computing experience. Using zero-pressure capacitive touch, N-trig's DuoSense technology opens a new world of capabilities – providing software developers and OEMs the ability to customize both hardware and software applications that enable a true multi-touch experience. Realizing the power of the human interface, N-trig's DuoSense digitizers are designed to integrate easily, support any type of screen, keep devices slim, light and bright, and can support numerous applications from small notebooks to large LCDs. Combined, pen and touch enables users to open files, manipulate pictures and browse the desktop as they would the files on their desk.

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. (N-trig04.11)

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9.3 Odysii Announces Queue Management Solution

Odysii released its TVeez Queue Management solution, designed to provide branch visitors with expedited service and a positive overall experience. It is also designed to provide business managers with useful information that can help run operations more efficiently and provide better customer service. When the Queue system is provided as part of the Odysii unique marketing intelligence platform, businesses can leverage customer presence in the queue to deliver targeted messages that help meet business and marketing goals. Customers receive a number by selecting a service from a touch screen at a kiosk on the business premises. When it is their turn to be served, customers are called to the next available window automatically via screens and announcement systems. This means there is no need to physically stand in line, so customers can continue shopping in a retail environment, or sit comfortably in a bank or business lobby while waiting. The Odysii Queue Management system interfaces with other business applications to improve operational efficiency: On their terminal interfaces, clerks see which customer is next, and what service that customer requires. The Queue Management reporting engine ensures that business managers can keep track of how many customers were served, what service they required (at what time of day, or day of the week), average wait times, clerk statistics, and more. Herzliya's Odysii (http://www.odysii.com) provides marketing intelligence solutions that enable businesses to communicate with on-site customers more effectively, with targeted, dynamic messages. (Odysii30.10)

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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. (N-trig03.11)

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9.5 Mellanox Introduces First 10GBASE-T LAN on Motherboard (LOM) for Mainstream Servers

Mellanox Technologies and California's Teranetics, a leading provider of Ethernet PHY technology, announced an integrated device enabling 10GBASE-T LAN-on-Motherboard (LOM) controller for server and storage OEMs. The ConnectX ENt, a PCIe 2.0 (5.0GT/s) device, delivers the next generation low power server ethernet chip with dual 10GBASE-T ports for high-performance, low-latency, and high availability. ConnectX ENt supports leading virtualization acceleration features like NetQueue and SR-IOV and also supports I/O consolidation fabrics like Data Center Ethernet (DCE), Fiber Channel over Ethernet (FCoE) and InfiniBand over Ethernet (IBoE). Mellanox offers a complete family of ConnectX EN 10 Gigabit Ethernet adapters to support a wide variety of cabling options including UTP, Twinax and CX4 for copper and SR, LR and LRM for fibre optics. Mellanox ConnectX EN and ConnectX ENt adapters provide data centers with a rich set of availability, performance and QoS features. Yokneam's Mellanox Technologies (http://www.mellanox.com) is a leading supplier of semiconductor-based, interconnect products to world-class server, storage, and infrastructure OEMs servicing Fortune 500 data centers, the world's most powerful supercomputers, and mission critical embedded applications. (Mellanox03.11)

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9.6 Orca Interactive & BCC Company Partner on Multi-Level Wholesale IPTV in Russia

Orca Interactive and BCC Company, a leading system integrator in Russia, have joined forces to deliver a wholesale IPTV solution across Russia. The highly customizable solution has already been deployed by the Russian regional incumbent operators North-West Telecom, Siberia Telecom and Southern Telecommunications Company, and Orca and BCC plan to continue marketing the new offering throughout Russia, thus opening up the currently isolated IPTV services to the masses. The move also marks Orca's entrance into the Russian wholesale market, representing a new revenue driver for the middleware company. The joint wholesale solution enables operators to generate new revenues by providing unique broadband access and TV services to their subscribers under their own brand (to other, local operators and service providers in Russia, who subsequently deliver these services). Each regional operator's service leverages TV channels, on-demand content, authentication and reporting that are sourced by a super-headend based in Moscow.

Ra'anana's Orca Interactive (http://www.orcainteractive.com), a member of the Emblaze Group, is a leading provider of middleware solution to enable xDSL and FTTx operators to offer enhanced entertainment services such as broadcast TV, video-on-demand and interactive services. Our applications deliver compelling and differentiated services to maximize the revenue stream of the operators. Orca's user-friendly, end-to-end applications enable delivery and management of VOD, TV channels, EPG, NVOD, Pay-Per-View and e-commerce for related merchandise. (Orca03.11)

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9.7 Actimize Signs Deal With Netherlands Financial Markets Regulator for its Market Abuse Solution

Actimize announced that the Netherlands Authority for the Financial Markets (AFM) has selected the Actimize Market Abuse Solution to improve its surveillance and supervision of the Dutch market and detect various forms of Market Abuse such as market manipulation and insider dealing. The AFM was established to supervise the conduct of the entire Netherlands financial market sector and to ensure that participants are handled properly and that they have accurate information. Market Abuse has become more difficult to detect over the last few years, due to the increasing complexity of financial instruments. Actimize's surveillance technology has already been adopted by two of the largest market regulators in the United States. The Actimize Market Abuse Solution monitors and detects suspicious transactions and automatically distributes alerts directly to relevant users within an intuitive case management workflow environment. The system uses several analytical methods to assign a priority score to alerts, thus improving the efficiency of regulators, trading managers and compliance staff. The Actimize solution is built on a single, integrated platform that enables enterprise customers to add additional compliance, fraud and anti-money laundering solutions over time, while retaining the same detection engine, case manager interface, dashboard, interactive trade blotter, investigation and audit tracking and other functions.

Mitigating transactional risk across enterprise silos, Ra'anana's Actimize (http://www.actimize.com) is a leading provider of software solutions for anti-money laundering, brokerage compliance and fraud prevention. Built on a patented, scalable and extensible analytics platform, Actimize solutions enable financial institutions to increase their insight into real-time customer behavior and improve risk and compliance performance. Six of the top 10 global banks and eight of the top 10 U.S. brokerages use Actimize solutions to process transactions. (Actimize03.11)

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9.8 AudioCodes Announces High Definition VoIP Strategy

AudioCodes announced VoIPerfectHD, its High Definition Voice over IP technology. High Definition (HD) VoIP delivers higher voice clarity, better intelligibility and richer sound, as well as significantly improving a user's experience by doubling the audible voice spectrum. AudioCodes plans to embed HD VoIP across its product portfolio throughout 2009. AudioCodes VoIPerfectHD implementation of HD VoIP relies primarily on AudioCodes leadership in DSP, voice coding and voice processing technologies, and their application to VoIP communications and conferencing. AudioCodes VoIPerfectHD implementation as a unified infrastructure for all AudioCodes' products allows the offering of HD VoIP capabilities and benefits across all of its products ranging from Multi-Service Business Gateways (MSBG), Media Servers, Media Gateways and DSP chips to IP Phones. The introduction of HD VoIP extends AudioCodes reach to both enterprises and service providers, allowing entry into new market segments which will benefit from enhanced clarity and better speech intelligibility. Among key segments expected to benefit from this new introduction are banks, government, military, health, telemedicine and education.

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. (AudioCodes 04.11)

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9.9 Gilat SkyEdge II Network Deployed in Bolivia by Major International Cellular Operator

Gilat Satellite Networks was chosen by a major international cellular operator to deploy a SkyAbis GSM cellular backhaul network in Bolivia. The new network, based on Gilat's SkyEdge II platform, enables the extension of network coverage to remote regions of the country where cellular connectivity was previously unavailable due to economic constraints. Following the successful deployment of the initial phase of the new network which provides cellular backhaul services to 50 base station sites in the country, the operator is currently expanding the network to cover an additional 50 sites. Gilat's SkyAbis is a prepackaged solution for cellular backhaul, based on the SkyEdge multi-service platform. The solution enables operators to deploy hybrid networks that extend the reach of their terrestrial and cellular infrastructure to remote communities. SkyAbis features traffic optimization and dynamic bandwidth allocation for GSM backhaul, with much higher space-segment efficiencies when compared to SCPC.

Petah Tikva's Gilat Satellite Networks (http://www.gilat.com) is a leading provider of products and services for satellite-based communications networks. The Company operates under three business units: (i) Gilat Network Systems ("GNS"), which is a provider of network systems and associated professional services to service providers and operators worldwide; (ii) Spacenet Inc., which provides managed services in North America for businesses and governments through its Connexstar service brand and for consumers through its StarBand service brand; (iii) Spacenet Rural Communications, which offers rural telephony and Internet access solutions to remote areas primarily in Latin America. (Gilat06.11)

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9.10 Orca Teams Up with Chinese Company Yuxing to Market Integrated IPTV Set-Top Box

Orca Interactive announced its partnership with Chinese STB vendor, Yuxing, in developing an advanced, pre-integrated IPTV solution. Already selling, the integrated solution heralds a new era in affordable high-performance set-top boxes, based on Orca's RiGHTv middleware, allowing the ramping up of additional services and applications according to customer requirements. The comprehensive and environmentally friendly solution offers HD, MPEG-4, CPVR and based on Orca's SUI software development kit, the scalable middleware allows operators to tailor user interfaces and services to their specific local needs. Yuxing is the first Chinese vendor to join Orca's global STB (set-top box) Partnership Program, marking a new strategic partnership combining mass-production of set-top boxes with the latest in IPTV middleware innovation, opening up new possibilities for operators in the Asian region. Ra'anana's Orca Interactive (http://www.orcainteractive.com), a member of the Emblaze Group, is a leading provider of middleware solution to enable xDSL and FTTx operators to offer enhanced entertainment services such as broadcast TV, video-on-demand and interactive services. Our applications deliver compelling and differentiated services to maximize the revenue stream of the operators. Orca's user-friendly, end-to-end applications enable delivery and management of VOD, TV channels, EPG, NVOD, Pay-Per-View and e-commerce for related merchandise. (Orca11.11)

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9.11 Alvarion Expands Altitude's Mobile WiMAX Network in France

Alvarion announced the expansion of its frame agreement with the French WiMAX operator Altitude. Alvarion's Mobile WiMAX 4Motion solution will be used by Altitude to extend its coverage and provide voice and data services at 3.5 GHz to corporate, ISP and residential users in the Jura and Deux Sevres districts. The rollout of this commercial network is already underway, with plans to be completed in early 2009. The new network will offer an enhanced portfolio of high quality wireless broadband services over Alvarion's Mobile WiMAX solution, including indoor and outdoor CPEs. Alvarion's end-to-end 4Motion solution is the foundation of the company's OPEN WiMAX ecosystem, which combines BreezeMAX and other best-in-class systems. A complete all-IP Mobile WiMAX solution, 4Motion is designed to enable service providers to offer subscribers fixed and mobile Personal Broadband services anytime, anywhere. The 4Motion solution is comprised of core network elements, IP radio networking elements and end user devices. Tel Aviv's Alvarion (http://www.alvarion.com) is the largest WiMAX pure player ensuring customer long-term success with fixed and mobile solutions for the full range of frequency bands. Based on its OPEN WiMAX strategy, the company offers superior wireless broadband infrastructure and an all-IP best-of-breed ecosystem in cooperation with its strategic partners. (Alvarion10.11)

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9.12 Leading Indian MFI Cashpor Adopts ClassifEye Secure Mobile Transactions Solution

ClassifEye announced that Cashpor India, one of India's leading microfinance institutions has adopted ClassifEye's innovative camera-phone-based transactions and authentication solution. This will help to facilitate broader financial inclusion, enabling Cashpor to broaden its customer base and allow their agent-serviced customers to improve their financial reach. ClassifEye's solution is driven by innovative imaging technology that uses camera phones to deliver secure and reliable services for MFI served customers. Customers can access a broad range of financial services that are handled by the MFI in order to manage loans, make deposits and execute other operations via field agents who are equipped with internet-enabled cellular phones. Each transaction request is authenticated via MFI agents' camera-phones, which are used to capture an image of each customer's fingerprints, following initial customer registration by the field agents through traditional procedures. The service has been successfully tested by leading banks and MFIs.

Jerusalem's ClassifEye (http://www.classifeye.com) delivers secure fingerprint authentication technology using existing cell-phone cameras, enabling identity management solutions for mobile markets. The company's proprietary technology eliminates the need for dedicated hardware (e.g. fingerprint sensors, USB keys and code generators), thereby substantially reducing costs and accelerating mass market deployment. The technology enables device security and biometric authentication and non-repudiation for applications including micro-finance, mCommerce and mBanking. (ClassifEye 09.11)

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9.13 Elbit Systems Helps Upgrade Brazilian AMX Jets

Elbit Systems was awarded a contract by Embraer, the Brazilian aircraft company for the supply of avionics for the Brazilian AMX jet upgrade project. The initial development and prototype phase of the contract is in an amount of approximately $67m. The entire contract, including the subsequent production phase, is valued at approximately $187m and is scheduled to be completed through 2014. Implementation of the production phase following completion of the development and prototype phase is subject to further approval. Elbit Systems was selected as the main subcontractor of Embraer, the prime contractor for the project and the manufacturer of the AMX jet, which is to be supplied to the Brazilian Air Force. Elbit Systems will be performing the project in cooperation with its wholly-owned Brazilian subsidiary Aeroeletronica S.A. (AEL), located in Porto Alegre, Brazil. Under the project, Elbit Systems and AEL will supply the central battle mission computer of the AMX, as well as display systems, the ammunition management system and additional systems. 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, 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. (Elbit Systems 11.11)

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9.14 Manycore Processor Adoption Barriers Lowered by New Development Tools From Plurality

Plurality announced the beta release of an extensive set of development tools for its HyperCore Architecture Line (HAL) of Manycore processors. The tools will facilitate the evaluation and widespread adoption of Plurality's technology. Manycore architecture - from tens to thousands of cores per processor - is widely acknowledged as the natural evolution of multicore processing. HAL processors will offer the highest performance at the lowest price per watt per square millimeter of any chip-level shared memory machine currently on the market. Positioned as a general-purpose accelerator for applications with a high degree of inherent parallelism, HyperCore acts as an extension of the most popular processor architectures (x86, PowerPC, and ARM). The HyperCore architecture includes 16-256 cores and multi-ported L1 shared memory in which each core is equidistant from the memory. A key component of the architecture is a hardware-based, low-latency, high-throughput synchronizer/scheduler that manages the cores according to a task map and balances the load among the cores. The synchronizer/scheduler ensures scalable performance that enables nearly linear speedup, regardless of the number of cores in the processor. Among the many applications ideal for the HyperCore processor are image and video processing, video surveillance, gaming, network processing, security, and software-defined radio.

Netanya's Plurality (http://www.plurality.com) develops advanced Intellectual Property, chips and acceleration boards for manycore processing. Plurality's IP is based on a scalable, easily-programmable, manycore processor that is positioned as a general-purpose accelerator. The processor delivers the highest performance and lowest cost per watt per square millimeter of any currently available chip-level shared memory machine. (Plurality 11.11)

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9.15 AudioCodes & Aastra Deliver Unified Communications for the Enterprise

AudioCodes and Texas' Aastra, a leading provider of IP-Telephony solutions, announced an agreement for Aastra to deliver AudioCodes' Digital and Analog Gateways with their IP-PBX solutions. Aastra and AudioCodes are collaborating on a long-term strategy, assisting customers with investments in legacy equipment to migrate to a standards-based IP infrastructure, avoiding expenses of "Fork Lift" upgrades whenever possible. This strategy includes leveraging the Mediant and MediaPack gateways and other new networking connectivity and security products provided by AudioCodes. AudioCodes' Mediant and MediaPack gateways enable connectivity from Aastra's Clearspan and Pointspan SIP based IP-PBX solutions to the Public Switched Telephone Network (PSTN) using digital and analog interfaces. When used in remote branch offices, a key capability of AudioCodes' gateways is Stand Alone Survivability (SAS), a unique software feature within the gateway that allows remote branch offices to remain operational even if there is a loss of WAN connectivity. SAS reduces the cost and complexity of remote office installations and significantly improves a customer's communication resilience and reliability.

Tel Aviv'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. (AudioCodes11.11)

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10: ISRAEL ECONOMIC STATISTICS

10.1 Foreign Direct Investment In Israel Up Sharply

The Bank of Israel announced on 11 November that foreign direct investment in Israel increased sharply during Q3/08, despite the global economic crisis. Foreign direct invest via the banks totaled over $2b in Q3/08. Foreign direct investment via the banks amounted to $1.38b in Q2 and $1.63b in Q1, totaling $5.82b in 2007 as a whole. Total direct foreign investment was $1.47b in Q2/08 and $2.19b in Q1, amounting to $9.67b in 2007 as a whole. The Bank of Israel did not disclose list foreign investment not made through the banks for the third quarter.

Foreign direct investment via the banks totaled $996m for September. The two largest investments were $200m in a chemicals company and $175m in an electronics company. Foreign investment in the Tel Aviv Stock Exchange (TASE) went the other way, with heavy sales reflecting the global financial crisis. Net foreign investment on the TASE fell by $511m in September; a net $595m worth of stocks were sold, offset by a net $84m investment in bonds. Foreign investors sold more than $300m in chemical companies' shares and $240m in bank stocks in September. Direct investment abroad via the banks by Israelis totaled $545m in September and $1.15b in the third quarter. The September figure includes a $175m in a foreign electronics company - the same company in which foreign investors made an investment in the same amount. Israelis' overseas portfolio investments fell by a net $424m in September: net investment in foreign stocks totaled $806m, which was more than offset by a net $1.23b sales of bonds. Israeli households sold $450m in foreign stocks in September, mostly through withdrawals from mutual funds. (BoI09.11)

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11: In Depth

11.1 ISRAEL: S&P Foreign Currency Outlook Revised To Stable From Positive; Ratings Affirmed

Rationale

On Oct. 30, 2008, Standard & Poor's Ratings Services (http://www2.standardandpoors.com) revised its outlook on the sovereign foreign currency credit rating on the State of Israel to stable from positive. At the same time, the 'A/A-1' foreign currency and the 'AA-/A-1+' local currency ratings were affirmed. The outlook on the local currency ratings remains stable, and the Transfer & Convertibility assessment remains 'AA'.

The outlook revision reflects the rapidly deteriorating external economic environment, which will have a negative impact on Israel's export-oriented economy and may slow down the anticipated decline in the still high general government debt burden at just below 80% of GDP in 2008. It also reflects the political stalemate that has led to a breakdown of coalition negotiations, preventing any real progress on negotiations with the Palestinian Authority.

The world economy is slowing down rapidly in the wake of the international financial crisis, and key trading partners such as the European Union and the U.S. are sliding into a recession, which may be exceptionally severe and protracted. This will negatively affect the prospects for the Israeli economy, the growth of which in recent years has been driven to a large degree by the export sector (which accounts for 43% of Israeli GDP), especially technology-intensive exports to the OECD economies. The expected underperformance in the export sector is likely to be exacerbated by a slowdown in domestic demand as confidence of Israeli consumers and investors takes a knock-on hit from the global crisis. With the information available to us, we believe growth will dip to below 2.5% in 2009 and possibly beyond, which is only one-half of the average annual growth recorded in the past half-decade.

Following the resignation of Prime Minister Ehud Olmert to fight corruption charges levied against him, the new leader of Kadima - the senior partner in the ruling coalition - had tried to assemble a new coalition, but eventually failed due to demands from the ultra-orthodox Shas party to step up welfare spending. The country now faces new elections, probably in January 2009, with a significant probability that another fragmented coalition will emerge, divided along ideological fault-lines and hampered by personal antagonisms. This does not bode well for further progress of the peace negotiations with the Palestinian Authority. Early elections will also mean that the government will be operating for at least one quarter without a budget in place. Until a new budget is passed, the government will enact the 2008 budget (indexed to inflation). This would mean a pro-cyclical restrictive stance, but at the same time increase the likelihood that the budget deficit will be contained near 1% of GDP, as proposed by the draft budget of the outgoing government, despite the economic slowdown.

Israel has an economy free of major imbalances and we expect the current account surplus to revert to a broadly balanced position from 2009 onward. Israel should not, therefore, face significant or sustained difficulties in securing external financing. The Bank of Israel took advantage of the new Israeli shekel's strength this year by increasing its foreign exchange reserves to over $36b (September 2008), from $29b a year earlier. Unlike its similarly rated peers, Israel has additional borrowing flexibility due to the loan guarantee program by the United States and the Israel Bonds Corporations, which in times of geopolitical tensions has mobilized savings from the Jewish overseas community.

Outlook

The stable outlook reflects our opinion that Israel's strong consensus in favor of reducing the public debt burden will remain intact following the election. Over time, this will reduce the general government debt burden, which remains about twice the 'A' median. As the global environment has taken a decisive turn for the worse, we now believe that the debt consolidation process is likely to take longer than hitherto expected.

Any material progress toward a settlement of key security issues would have a favorable impact on the ratings through positive repercussions on domestic stability, economic growth, and investor confidence. Conversely, any significant setback on fiscal consolidation or a worsening of the security situation, especially the outbreak of armed conflict with Iran, could increase downward ratings pressure. (S&P30.10)

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11.2 ISRAEL: Summary of Israeli High-Tech Company Capital Raising - Q1-Q3/2008 Survey

The following are the findings of the Quarterly Survey conducted by the IVC Research Center, which for more than ten years has been at the forefront of venture capital and private equity research in Israel. This Survey reviews capital raised by private Israeli high-tech companies from Israeli venture capital funds and from other investors. The Survey is based on reports from 72 venture investors of which 46 are Israeli management companies and 26 are other – mostly foreign – investment entities.

One hundred and twenty-four Israeli high-tech companies raised $600 million in the third quarter of 2008 from venture investors – both local and foreign. The quarterly amount was the highest reported in the last eight years - 45% above the $414 million raised in the third quarter of 2007, and up 29% from the $465 million raised in the previous quarter. “Q3 capital raising reached a record eight-year high, exceeding all projections for the quarter,” said Efrat Zakai, Director of Research at IVC. “We don't expect the same rate of investment in the coming quarters. However, 2008 will be logged as a record year, even if the fourth quarter comes in considerably below average”, Zakai concluded.

The average financing round was $4.84 million, compared to $3.83 million in the third quarter of 2007 and $4.04 million in the second quarter of 2008. Eighty companies attracted more than $1 million each. Of these, 14 companies raised $5 million to $10 million each, 12 companies raised $10 million to $20 million, four companies raised $20 million to $40 million and two companies raised more than $40 million each.

In the three first quarters of 2008, Israeli high-tech companies raised $1.68 billion, 34% above the $1.25 billion raised in the corresponding period of 2007.

Israeli VC Investment Activity

In Q3, Israeli VCs invested $206 million in Israeli companies, compared with $172 million invested in Q3/2007 and $161 million invested in the previous quarter. The Israeli VC share of the total amount invested in Israeli high-tech was 34%, with the remainder of capital coming from foreign investors as well as non-VC Israeli investors.

First investments by Israeli VC funds were 28% of their total investments in the third quarter, compared to 51% and 22% in Q3/07 and Q2/08, respectively. The average First investment by Israeli VCs was $2.76 million, while the average Follow-on investment was $1.22 million. Zeev Holtzman, Chairman of IVC Research Center and Giza Venture Capital said: “Israeli high-tech companies, responding to early signs of market changes and the falling dollar-shekel rate, have been raising follow-on capital to help them navigate through the long-anticipated global crisis. Now that the crisis is here, a similar rate of investment won't be maintained.”

In the first three quarters of 2008, the Israeli VC fund share of investments in Israeli high-tech companies was 37%, compared to 43% in the corresponding period in 2007.

Capital Raised by Sector

The Communications sector led capital raising in Q3/2008 with $134 million or 22% of capital raised, followed by the Internet sector with $126 million or 21% – the highest Internet share since the fourth quarter of 2000. In the first three quarters of 2008, Internet companies attracted $247 million or 15% of total capital raised, which compares with $181 million or 14% in the first three quarters of 2007, $65 million or 6% in Q1-Q3/2006 and only $21 million or 2% in Q1-Q3/2005.

Capital Raised by Stage

Fifteen Seed companies attracted $16 million, 3% of the total amount raised in Q3. During the first three quarters of the year, Seed companies attracted $73 million, just 4% of the total funds, which compares with $133 million or 11% in Q1-Q3/2007. These figures clearly indicate that seed activity has markedly slowed from the previous year period.

IVC Research Center (http://www.ivc-online.com) is Israel's leading research center providing business leaders with an unmatched wealth of data on Israeli venture capital, private equity and high-tech industries. IVC products and services are used regularly by venture capital funds, private investors, high-tech companies, financial investors and institutions, as well as public entities such as the Office of the Prime Minister, the Central Bureau of Statistics, the Bank of Israel and the Office of the Chief Scientist. (IC10.11)

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11.3 GCC: Fitch Says Public Finances Resilient to Lower Oil Prices; Fiscal Surpluses May Shrink

On 11 November, Fitch Ratings (http://www.fitchratings.com) said in a new report published today that Gulf oil producers' public finances are in better shape than they were before the 1998 drop in oil prices, but that a phase of huge fiscal surpluses in the Gulf may be coming to an end. Oil prices have fallen steeply to around $60/barrel for Brent from a high of over $147/b on 3 July 2008. Fitch assumes that Brent will average $60/b in 2009, which is still relatively high by historical standards.

GCC (Gulf Cooperation Council) governments have saved much of the oil price windfall in recent years, but they have also increased spending, pushing up breakeven oil prices. GCC sovereigns' breakeven oil prices vary, depending on their oil wealth and how much oil revenue they choose to spend.

In Saudi Arabia ('AA-'(AA minus)), the general government would break even at $50/b in 2008; Kuwait ('AA'), which is midway through its April 2008-March 2009 fiscal year, would break even at $42/b and Abu Dhabi ('AA') at $31/b. In Bahrain ('A'), the breakeven price is higher. Based on estimated spending for 2008, the budget would balance at $74/b. Bahrain's oil wealth is smaller than that of its neighbors, but its budget dependence on oil is similar.

With the exception of Kuwait and Qatar, the oil price fall has come as GCC governments draw up their 2009 budgets and as governments were already contemplating a moderation in spending growth. Fitch believes that Abu Dhabi, Saudi Arabia and Kuwait will avoid major cuts to spending plans in 2009, and will be content to run much lower surpluses - in the case of Saudi Arabia and Abu Dhabi in single digits of GDP. The agency believes governments will wait and see what happens to oil prices next year and will then make a more gradual adjustment. For the most part, they have the luxury of being able to do this. Bahrain will have to cut spending to adjust to lower oil prices, and the latest draft of the budget, based on an oil price of $60/b, shows the authorities are prepared to do this.

Fiscal surpluses in the region are much higher than in 1998 - sovereign balance sheets have strengthened and sovereign debt is very low, while assets held in sovereign wealth funds (ADIA in Abu Dhabi, and the KIA in Kuwait) and Saudi Arabia's central bank (SAMA) have soared. Abu Dhabi and Kuwait's government non-reserve external assets exceeded 200% of GDP at the end of 2007, while Saudi Arabia's were 90% of GDP. Governments can draw on part of these holdings if necessary. Fitch notes that Bahrain, which has domestic government deposits of up to 20% of GDP, but no publicly disclosed non-reserve external assets, has less of a cushion than the larger oil producers.

Poorly-performing global stock markets (the benchmark MSCI World Index fell 40% in January-October) will have caused sovereign wealth funds in the region (SWFs) to suffer capital losses on their equity holdings in 2008. However, on the plus side, there will have been gains on the stock of US Treasuries. SWFs vary in their degree of risk appetite, but hold substantial equity investments alongside US Treasuries and other fixed income assets. Government non-reserve external assets continue to provide essential support to ratings. (Fitch11.11)

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11.4 GCC Steel Trade Expected To Cross $200 Billion in 2010

The GCC steel trade is expected to cross$ 200b in 2010 according to latest studies, with the demand on steel witnessing a huge increase due to the ongoing construction boom and numerous project launches taking place in the region. In line with this, Danube Building Materials FZCO, the leading player in the construction, interior decoration and shop fitting industry, has announced its plans to invest AED 40m in the fast growing steel market in Bahrain. Company officials revealed that the investment is part of Danube's plans to target the thriving construction market in Bahrain, which was marked by an earlier expansion to the Kingdom in 2007, as a means to further strengthen its presence in the region.

The recent ‘Middle East Steel 2008 Report' from MEED stated that projects worth$ 2 trillion are planned or under way in the Gulf, with less than one quarter already awarded. This will fuel the growth of the regional steel trade, which is anticipated to make over$ 50b from projects currently under way and an additional$ 150b from new schemes in the pipeline. Amidst the Middle East steel industry's rapid expansion, Danube is focused in taking significant strides to meet the needs of the fast expanding construction sector, as industry experts forecast the growth in steel production in the Middle East to reach 35m and the consumption of over 41m tons of finished goods by 2010.

“The rapid movement of raw steel and steel-derived products in the region has been largely influenced by the construction of massive real estate projects within its largest and fast-growing states,” said Rizwan Sajan, Chairman, Danube Building Materials. “Bahrain continues to be one of the key markets for steel, given its burgeoning steel imports to feed its huge consumption and we believe that the presence of a dedicated steel facility in the country will give us a definite advantage in supplying this market with our high quality products. Through this investment, we are expecting to facilitate a steady supply of the most in-demand steel products to be used in the construction of current and projects in the Kingdom, as well as in its neighboring countries.”

The steel market in Bahrain has opened up recently which predominantly was being catered by Saudi based mills and QASCO-QATAR. With Turkey and other CARES approved origins now being accepted, has opened up more avenues for the contractors to get more suppliers. Danube has strategically invested in infrastructure with a long term perspective in Bahrain and is aiming to leverage its volume pricing in UAE to the Bahraini market. Through this, contractors will now be able to enjoy a keener competitive price from Danube apart from high quality products and impeccable on time deliveries. Danube is also planning to establish a Steel service centre (Cut and Bend facility) which will facilitate to address large projects' requirements in Bahrain. Danube's state-of-the-art facility, built on a 250,000 sq. ft. plot in the industrial area of Salmabad, will host the company's industry-leading steel products. Furthermore, Danube has also revealed that it will have large-scale imports of steel products from Turkey, China, Taiwan, Korea, South Africa, Ukraine, Russia, India, Saudi Arabia and Iran, which will then be processed to address varying customer requirements.

“As we intend for our Bahrain steel manufacturing facility to be the premier source of steel and steel products in the Kingdom, we are also investing considerably in product development and marketing plans, which will make our products more efficient as well as reachable to both regional and global clients. Having embarked on this ambitious expansion strategy, we are currently eyeing over AED 120m in annual revenues from our steel operations in the Kingdom. We are also looking at potential regional destinations where we can position our facilities in line with our aims to keep up the growth momentum for the Danube brand,” concluded Sajan.

In addition to its Bahrain-based expansion, Danube has recently announced its plans to invest AED 50m in a new steel facility in Oman and AED 200m in the steel industry in UAE for 2008. Maintaining a high level of quality across all its products, the company is currently in the process of initial market testing to ensure the smooth delivery of its products to customers. (Al Bawaba 30.10)

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11.5 KUWAIT: Detailed Analysis of the Food & Drink Market

Research and Markets (http://www.researchandmarkets.com) has announced the addition of the "Kuwait Food and Drink Report Q4 2008" report to their offering. The Kuwait Food Drink Report provides independent forecasts and competitive intelligence on Kuwait's food and drink industry.

Despite the fairly static nature of the Kuwaiti mass grocery retail (MGR) sector, this quarter has seen a number of major developments as discussed in BMI's recently published Kuwait Food & Drink Report for Q408. Kuwait's organized food retail sector is dominated by the government-subsidized Union of Cooperative Societies (UCCS), at the expense of privately-owned operators. The union comprises not only small grocery stores, but also supermarkets, convenience stores and a hypermarket, and it derives its strong market position from its exclusive right to operate in residential areas, while private retail operations are restricted to commercial zones.

However, in recent years, local, private operators have continued to expand, led by The Sultan Center (TSC) and City Center, both Western-style supermarket chains. It seems that TSC has decided that rather than competing exclusively in this challenging domestic environment, it will look abroad for expansion opportunities. In that vein, in August the retailer announced its acquisition of food retailers Monoprix and Geant Casino from local company Admic, in a deal worth $108mn. Under the terms of the agreement, TSC will take over five Monoprix supermarkets, which will be renamed TSC Plus, as well as the Geant supermarket, which will be rebranded under the TSC Mega banner. Although the initial price tag for the store chain was $97mn, this shot up by $11mn when TSC decided that it would also buy the store's stock. This acquisition is in line with TSC's expansion strategy, as it looks to increase its presence in regional markets, due to more limited growth opportunities in its home market.

BMI is forecasting a growth rate of 23.9% between 2007 and 2012 in Kuwait's MGR industry, with total sales set to reach $1.97bn by 2012. This is a steady growth forecast, but low in comparison to some other less well-developed regional markets. However, we are forecasting stronger long-term growth due to the prosperity of the country. Kuwait is in the fortunate position of having an ample and still expanding oil and gas sector. Oil production is forecast to rise from 2.65mn barrels a day (b/d) in 2008 to 3.00mn b/d in 2012, while natural gas will see an even more stellar rate of growth, from 13.6bcm to 20.4bcm over the same period. Nevertheless, the country's geographic size and small population are limitations that will prevent a great boom.

Also in August 2008, the Kuwaiti government announced that it will allow the UCCS retail chain to import products directly from the source, as it looks for ways to cut costs. This should allow these stores to cut out wholesale importers, and will also allow them to give group orders to get better bulk prices. Yet this will also provide UCCS with an even greater competitive advantage, which could act as a further deterrent for any retailers contemplating market entry. (R&M03.11)

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11.6 BAHRAIN: Food and Drink Report Q4 2008

Research and Markets (http://www.researchandmarkets.com) has announced the addition of the "Bahrain Food and Drink Report Q4 2008" report to their offering. The Bahrain Food Drink Report provides independent forecasts and competitive intelligence on Bahrain's food and drink industry.

Following a period of relative quiet, Bahrain's mass grocery retail (MGR) sector is set to experience a wave of activity, with two major retailers announcing expansion plans, as discussed in BMI's recently published Bahrain Food & Drink Report for Q4. The first is international major Auchan, which announced in July that it has signed a joint venture agreement with Dubai real estate developer Nakheel to develop a retail chain in the Gulf region. The new company, called HyperCorp, will establish a chain of 15 hypermarkets and 40 supermarkets across the GCC over the next 10 years, with the first round of openings consisting of five hypermarkets in Nakheel's Dubai developments. The other is Abu-Dhabi based food and retail group Emke, which announced in July plans to invest BHD50mn ($132mn) on two local projects in Bahrain, creating more than 2,000 jobs in the country. The group opened its first hypermarket in Bahrain in September 2007 in the Dana Mall in Manama. The company has now said that it will open another Lulu outlet in August of this year, and also plans to open a shopping mall in A'ali by the end of 2010.

Unlike other Gulf states, until 2005 Bahrain had only one hypermarket, jointly run by local company Fu- Com International and Casino Groupe of France. Fu-Com is itself a joint venture between Bahrain based Retail Arabia and the Dubai-based Al Ghurair Group. However, in 2005 a group of Saudi Arabian investors, A K Al Muhaidib and Sons Group, introduced their giant hypermarket concept to the country, with the opening of a new store. French retail giant Carrefour has also decided to enter the country and has set the second half of 2008 as its target market entry date.

Such investments are the main driver behind the growth rate of 42.3% we are currently forecasting in Bahrain's hypermarket sector between 2007 and 2012. The hypermarket format will contribute most in sales terms to the sector's overall growth, due to the vast selling power of just one store. Overall MGR sales are set to increase by almost 53% over the forecast period to 2012.

Economic expansion will be the other main driver, as we are forecasting real GDP growth of 5.2% in 2008 and averaging 4.3% over the remainder of the forecast period. With oil output expected to remain constant until 2010 before declining slightly, real economic expansion will be driven entirely by the nonoil sector (although oil revenues will feed through in terms of higher liquidity and increased government spending). The financial services sector as a key driver of non-oil growth, as Bahrain takes advantage of the growing demand for Islamic banking products. However, food price inflation does remain a significant concern. While the consumer price index (CPI) reached 6.2% year on year (y-o-y) in April, we suspect that price rises in the food and housing sectors were far higher than this headline figure. (R&M03.11)

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11.7 UAE: Fitch Says External Debt Estimated at $170 Billion at Mid-2008

Fitch Ratings (http://www.fitchratings.com) says in a new report published on 31 October that the United Arab Emirates' (UAE) gross external debt was an estimated $170bn at mid-2008, compared with $145bn at end 2007. The pace of increase appears to have slowed this year, however, rising by an estimated $25bn in H108, after growing by 70% in 2007. In the absence of officially published external debt data, Fitch compiles its own estimates of the external debt of individual emirates and the UAE as a whole. These are derived from top-down and bottom-up estimates using data from the UAE Central Bank (CBUAE), the Bank for International Settlements and private sector data providers.

Sixty percent of the UAE's total external debt is owed by its banks, with total external liabilities of just below $90bn gross and $40bn net in March 2008. However, this figure is likely to have fallen in the second half of the year as speculative inflows anticipating a revaluation of the UAE currency have been unwound. Nevertheless, with nominal lending growth outpacing deposit growth, banks switched from being net external creditors to net external debtors in 2007. Fitch also notes that approximately 20% of UAE bank external liabilities represent non resident deposits, reflecting the country's increasing role as a regional and international financial and business centre. The UAE's top four banks by assets, accounting for over half domestic banks' assets, are majority state-owned.

Non-bank debt is highest in Dubai, estimated at just under $70bn at September 2008, followed by Abu Dhabi, with an estimated $50bn for the same period. Individual emirate governments have minimal sovereign debt outstanding. Abu Dhabi is the only emirate with an outstanding Eurobond (a $1bn benchmark issued last year). Most non-bank debt is owed by public sector entities. Abu Dhabi's public sector foreign currency debt amounts to an estimated $25bn and Dubai's an estimated $51bn, amounting to half and three-quarters respectively of total non-bank debt outstanding. Near term maturities are highest for Dubai, with $11bn of loans maturing in the final quarter of 2008. Around half of this has already matured or been refinanced. In 2009, Abu Dhabi entities have more debt maturing than those in Dubai (just over $8bn and $5bn respectively), the majority of it public sector. This represents only a small fraction of Abu Dhabi's projected budget surplus, even at current oil prices. Dubai's maturities peak in 2011 at around $20bn. (Fitch31.10)

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11.8 UAE: Ras Al Khaimah - Turn on the Lights

Ras Al Khaimah (RAK) is rising to the challenge of meeting the emirate's energy needs, reports the Oxford Business Group, planning to increase electricity generation capacity and diversifying sources of power and fuel. Securing reliable sources of energy for potential investors is one of the government's greatest obstacles to maintaining current growth levels. With various industries performing impressively in recent years combined with a rapidly growing population, the emirate's need for power generation is only expected to grow.

RAK has long relied on electricity from the grid operated by the United Arab Emirates' (UAE) Federal Electric and Water Authority (FEWA), but is increasingly looking to develop its own generating capacity as the demand placed on the authority's network rises. Part of the emirate's efforts to overcome the energy shortage includes Ras Al Khaimah Minerals and Metals Investments (RMMI), an arm of the Ras Al Khaimah Investment Authority (RAKIA). While buying into metals mines in Asia and Africa, RMMI is also investing in coal production.

RMMI Managing Director Madhu Koneru said the massive energy demand in RAK and in the rest of the UAE could at least partly be met through coal, along with other alternative energy sources, such as solar power. "The strategy is to gain a foothold directly at the source of the commodities in resource-rich regions, directly hedging against future infrastructure costs," Koneru told the local press on October 28.

In mid-October, the industrial districts of Al Hama and Al Ghail, where much of the emirate's heavy production facilities are concentrated, received a boost when the Emirates General Petroleum Corporation (Emarat) opened a gas gathering, receiving and distribution centre. The new station, linked to the Emarat gas pipelines network that runs throughout the Northern Emirates, allows gas produced in RAK to be pumped into the network and delivered to local customers.

The RAK government has also announced plans for the construction of four power stations over the next three years, with a combined capacity of 740MW and a price tag of at least $240m, though the cost for one of the plants has yet to be determined. Announcing the decision on July 15, Dr. Khater Massaad, an advisor to Crown Prince and Deputy Ruler of RAK Sheikh Saud bin Saqr Al Qasimi, said the plants would help meet the emirate's short-term energy needs.

But until this new generation capacity starts to come on line, power shortages will continue to hinder RAK's economy as well as restrict expansion. In mid-October, officials at RAK's new Port Al Jeer, which will handle the import and export of livestock and food materials, said they were having to rely on generators to provide power to the port, only days before it was scheduled to start operations. Mohammad Abdullah Al Mehrizi, general manager for RAK's Customs and Ports Department, said that while all the electricity infrastructure was in place, no power transmissions were being made at the time. "The port is a very essential component of development and foreign trade," he told the local press on October 16. "We are resorting to the use of generators as the last resort; we are desperate to open."

Large scale projects in the tourism construction materials industries, intended to broaden the base of the economy, could also be hampered by power shortages, while the necessity of having to provide electricity privately, through the use of generators, would be a financial drain. The tourism industry is projected to become one of RAK's largest consumers of electricity in the years to come. According to estimates by the emirate's tourism authority, 2.5m annual overseas visitors - roughly ten times the local population - will visit RAK by 2012. With plans to triple the sector's room capacity from 1800 to 5500, demand for power is expected to surge.

Some companies are moving to guarantee their own energy supplies. In late June, the Ras Al Khaimah Cement Company announced it was carrying out a feasibility study into switching from gas to coal as the main fuel source for its facilities, following the lead of other firms in the sector. (OBG03.11)

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11.9 OMAN: Firm in the Face of Adversity

As signs of a global recession mount, many in Oman are debating how the global turmoil could impact Oman's business agenda. According to Hamid Hamirani, senior vice president of Vision Investment Services and senior member of the Oman branch of the Association of Certified Chartered Accountants (ACCA), the global financial meltdown is the outcome of an enormous change in lending standards.

"After the Greenspan Fed took rates down to ultra-low levels, home prices began to levitate. More and more mortgages were being securitized - purchased by Wall Street, and repackaged in forms of bond-like paper. The low rates spurred demand for this higher yielding, triple A-rated, asset-backed paper," he told OBG on October 26. He went on to say that in this ultra-low rate environment, all that mattered to lenders was to prevent borrowers defaulting on their loans (for 90 days or 6 months under some contracts).

"How did the lenders capitalize on this ultra-low rate environment? They put people in houses they could not ordinarily afford by offering cheap teaser rates for 24 months. Because these were adjustable rate mortgages, after 24 months the interest rates were reset to a much higher percentage. Once the reset occurred, many homeowners defaulted on their loans, resulting in huge losses for Wall Street," he added.

Many in Oman are now wondering what exposure their own banking system has to these toxic instruments.

On October 21, Hamoud Sangour Al Zadjali, the Central Bank of Oman (CBO)'s executive president, told the local and international press that banks in Oman were not suffering from a liquidity crunch. He said there was enough liquidity in Oman and that local banks had no exposure to the distressed financial institutions as the core capital and reserves of the banking system stood at OR1.54bn ($4bn) as of the end of September.

Additionally, the CBO took pre-emptive measures to ward off any possible lack of liquidity. Al Zadjali announced that the loan-to-deposit ratio, which was supposed to be tightened from 85% to 82.5% this month to contain the fast growth of credit in the banking system, was being deferred until the restoration of normal conditions in the international market. Commercial banks also have about OR770m ($2bn) of CBO certificates of deposits and Government Development Bonds which they can sell back through repurchase agreements at any time they feel it necessary.

On November 3, in order to further assist local banks to overcome possible US dollar (USD) liquidity constraints, the CBO announced, in co-ordination with the Finance Ministry, that they will provide USD funds through either a foreign exchange or direct USD lending mechanism. These facilities will be made available until the international markets return to normal conditions or as deemed appropriate by CBO.

While Oman's banking system appears to be insulated from the direct adverse ramifications of the global financial crisis, it is not immune to its shock waves, with falling demand in key export markets. Furthermore, tightening international credit has made it harder to access capital from abroad, though this is being partially offset by a fall in construction costs.

On the wider economic front, falling oil prices and the global recession will inevitably put a dent in the country's fiscal surplus. Nevertheless, even with lower oil revenue, the surplus is expected to remain large enough to continue with planned infrastructure projects. Oman's 2008 draft budget is based on a conservative oil price assumption of $45/barrel, up from $40/barrel in 2007. Sectors of the economy that might be hit hardest by the economic slowdown are manufacturing, tourism and real estate. If export orders from Europe, Asia and the US drop significantly, the fledgling export-focused manufacturing industry of Oman will face difficult times. Also, as potential travelers from key target markets in the EU and US tighten their purse strings, the tourism sector might suffer mildly.

The real estate sector has already been affected by the global situation. As construction costs drop, buyers are in a "wait-and-see" mode, holding off any purchases until they feel they can get a better deal. Nevertheless, the long-term outlook for the real estate sector remains strong as there is a substantial supply-demand gap for housing units. Oman will certainly feel the ripples of a global recession. But with a diversifying economic base, ample reserves, high domestic demand and a strong program of infrastructure and development projects drawing investment, Oman finds itself better equipped than others to handle the crisis. (OBG05.11)

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11.10 Pakistan's Ratings Lowered By Capital Intelligence

Capital Intelligence (http://www.ciratings.com), the international credit rating agency, lowered Pakistan's long-term foreign currency to ‘B-‘ from ‘B+' and its short-term foreign currency rating to ‘C' from ‘B'. At the same time the sovereign's long-term local currency rating has been lowered to ‘B' from ‘BB-' and its short-term local currency rating of ‘B' affirmed. The outlook for Pakistan's ratings remains Negative.

Reflecting the deterioration in sovereign creditworthiness, the long- and short-term foreign currency ratings of eight Pakistani banks – Askari Bank, Bank Alfalah Limited, Faysal Bank, Habib Bank, MCB Bank, National Bank of Pakistan, Standard Chartered Bank of Pakistan, and United Bank – have also been lowered to ‘B-‘ and ‘C', respectively. The Negative outlook on the foreign currency ratings has been maintained.

The downgrade in the sovereign's ratings reflects Pakistan's rapidly-deteriorating international liquidity position, worsening macroeconomic performance and political and policy risks. The negative outlook indicates that a further downgrade is likely if economic and financial conditions do not stabilize in the coming months and the government fails to secure sufficient and timely financial assistance from official creditors.

Pakistan faces the urgent challenge of reducing its fiscal and current account deficits and securing sufficient financing to enable it to continue meeting its financial obligations on time and in full. Confronted with limited financing options amid declining investor confidence, the government has resorted to borrowing from the central bank to finance the budget deficit. At the same time official foreign assets have been run down to cover the gap in the country's balance of payments resulting from a large trade deficit and weakening private capital inflows.

External vulnerability is very high. Official reserves no longer provide an effective buffer against external shocks and are less than the balance of payments deficit projected for 2008/09. The net foreign exchange reserves of the State Bank of Pakistan (which do not include substantial forward foreign currency obligations) have fallen to around $4b from just over $13b at the start of the year. The sovereign is due to make foreign currency debt service payments of just over $3b during the next 12 months, while the country's overall external financing gap (the sum of the current account deficit and external debt falling due minus available financing from private and official sources) is expected to be at least $5b.

To avert a balance of payments crisis in the near term, the government is seeking financial support from friendly governments and multilateral institutions, including the International Monetary Fund (IMF). An economic program and loan package is likely to be agreed with the IMF during the next week or so. While a quick disbursement of IMF funds would help to reduce near-term default risk, a more lasting improvement in Pakistan's creditworthiness will require the implementation of measures that restore macroeconomic stability, significantly reduce the budget deficit and result in a sustained increase in official reserves. Government pledges to phase out energy subsidies, reduce current spending and curb monetary financing of the budget deficit are a step in the right direction, but a more comprehensive reform program is likely to be needed to strengthen confidence and improve medium-term prospects. The challenges facing Pakistan are considerable, but a fractious political environment and worsening internal security situation raise serious doubts about the ability of the government to carry out the necessary policies and reforms. (CR28.10)

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11.11 PAKISTAN: Food & Drink Report

Research and Markets (http://www.researchandmarkets.com) has announced the addition of the "Pakistan Food and Drink Report Q4 2008" report to their offering. This Pakistan Food and Drink Report provides independent forecasts and competitive intelligence on Pakistan's food and drink industry.

Pakistan remained firmly rooted to the foot of our Asia Pacific Food & Drink Business Environment Ratings table for Q4/08, despite recent foreign direct investment (FDI). Pakistan's below-average composite limits score is primarily a product of a weak food and drink market, characterized by very low per capita food, soft drink and alcoholic drink consumption and the weak forecast for the country's food consumption growth. Widespread rural poverty, inadequate transport and labor infrastructure and acute consumer price sensitivity, in addition to an unsettled political situation, provide some of the barriers to investment. On the other hand, Pakistan does offer some commercial opportunities for companies willing to be exposed to higher risk, due to its vast population and the food and drink market immaturity.

One such foreign player is Turkish Coca-Cola bottler Coca-Cola Icecek (CCI), which in June 2008 agreed to acquire a 50% stake in Pakistani soft drinks firm Coca-Cola Beverages Pakistan Ltd (CCBPL) from a number of subsidiaries of US brand parent The Coca-Cola Company (TCCC). The $80mn acquisition is in keeping with CCI's overarching strategy of pursuing both organic and inorganic expansion throughout Central Asia, in a bid to maintain its recent highly impressive growth rates. CCI has been on a rapid expansion drive in recent years, moving into many regional markets. The purchase of a 50% stake in CCBPL – with TCCC holding the remaining 50% – will give CCI access to another 77 million unit cases of sales in 2008, leaving the Turkish firm well poised to exceed 2007 growth in both value and volume terms. CCBPL should also benefit from the Turkish company's expansionist strategy, with expected investment in a production increase.

Nevertheless, political issues continue to overshadow other aspects of Pakistan's development. The transition from military to civilian rule has not been smooth, with the civilian government facing daunting challenges in stabilizing the wobbly economy. The economy has been buffeted by rising oil and food prices over the past year, resulting in a serious deterioration in the fiscal and current accounts. Unless these deficits are reined in, and rampant inflation brought under control, there is a risk of yet worse economic dislocations, which will have a major negative impact on consumer confidence. Rising global food prices have already raised questions over Pakistan's ability to feed its population, given that many products are imported. Consequently, we expect a modest increase in food consumption to 2012. The rise of almost 35% in relation to 2007 levels (in US dollar terms) actually masks a bleaker picture, that of an increase in per capita consumption of just under 17% and an uneven distribution of wealth achieved through steady GDP growth. Nevertheless, the government remains committed to the development of the country's agricultural sector, which should gradually improve living standards in the countryside. (R&M04.11)

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11.12 EGYPT: Food & Drink Exports to Grow by 59.4% between 2007 & 2012

Research and Markets (http://www.researchandmarkets.com) Egypt Food Drink Report provides independent forecasts and competitive intelligence on Egypt's food and drink industry.

Recent months have seen major developments taking place in Egypt's food production sector, as discussed in BMI's recently published Egypt Food & Drink Report for Q4/08. In a major step forward, in July following years of negotiations, the European Union (EU) reached a preliminary trade agreement with Egypt that will considerably liberalize trade in agricultural products. The long-awaited trade deal should provide a significant boost to Egypt's all-important agricultural sector. Agriculture plays a vital role in the Egyptian economy, with the government placing a significant emphasis on this sector, as it accounts for almost 20% of GDP and employs nearly 30% of the working population.

Under the terms of the agreement, Egypt will also cut import duties on European produced foods such as confectionery, chocolate and bakery products, although alcoholic drinks, tobacco and pork were exempt from the agreement. This free trade agreement falls under the rubric of the Union for the Mediterranean. This latest agreement is expected to form the basis of a future binding agreement, which should further bolster Egypt's agricultural sector's export opportunities.

Currently the author is forecasting that Egypt's food and drink exports will grow by 59.4% between 2007 and 2012, which is not only a reflection of the free trade agreement, but also the country's improving food and drink processing industry. Regional trade agreements such as the Greater Arab Free Trade Area (GAFTA) have also given producers access to a far larger market. Having gone into effect in 2005, GAFTA has gradually lowered customs on locally produced food across a broad range of Middle Eastern countries. These have been the main export markets for Egyptian producers, given the similarity of diets and lack of language barrier, with labeling regulation a major problem for smaller producers. Meanwhile, Africa is quickly becoming another key export market, thanks to its proximity and a lack of domestic production, with Kenya and Sudan currently the two biggest importers.

In anther important trade development, in August the Egyptian government announced that it will resume rice exports at the start of September 2008, a reversal of an earlier policy statement which had said that it would suspend exports until April 2009 as a means of keeping down domestic prices. According to the country's trade minister, exports could reach 1mn tonnes in the 2008-2009 crop year. In explaining his government's initial decision, Egypt's trade minister, Rachid Mohamed Rachid, said “We were a bit concerned huge increases in price would suck most of the production quantities out of Egypt and that is why we did something we were not very happy to do for a period of time.”

Sharply rising food prices have been the cause of growing unrest in Egypt over this past year, with the government taking a number of measures to deal with the mounting public discontent. With inflation having hit 20% in June of this year and food prices skyrocketing, there has been created a dire situation in the country, with this issue set to remain in the headlines for some time to come. (R&M03.11)

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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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