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1: ISRAEL GOVERNMENT ACTIONS & STATEMENTS

1.1 Netanyahu Presents Likud Economic Plan

Tax breaks, reform of the Israel Land Administration (ILA) and the expansion of Israel's highway and railway infrastructure are the key measures in the economic plan of Likud chairman Benjamin Netanyahu, which he intends to put into effect, should he become prime minister following the upcoming elections on February 10.

At a conference, Netanyahu made it clear that the plan would form the Likud's basis for the 2009 budget. The plan would, he said, include additional measures such as the opening of R&D centers, and reform in the higher education system. The key measure in the tax breaks, he said, would be the lowering of income tax for the middle classes. "It makes a lot of sense to lower taxes, since these will energize consumers, investors and banks. They make credit more liquid, investments more attractive, and give people the feeling that they have more free income." As to the second key measure in his plan, reform of the ILA, Netanyahu said "There needs to be a release of the capital buried in the ground. Israel is rich in contained capital, and this capital is in the 33% of land in Israel held by the state-run monopoly, the ILA."

The third key measure contained in the Likud program calls for the expansion of the highway and railway infrastructure. "This will also take time, but the very action itself will jumpstart escalated investment in the economy. My aim is to get Israel out of the crisis very quickly. We will set about this immediately with a series of clear-cut measures, so that the chain reaction is swift, together with reforms of the real estate and construction market," Netanyahu said. He added, "We are in a global crisis that has paralyzed the three key intersections - the banks which are not giving credit, investors and customers who stop consuming because of this. These three bottlenecks are becoming increasingly congested. Government action should therefore aim to release these bottlenecks and get traffic moving. "The government should make it clear that no bank will fall. This security needs to be backed with a willingness to act," Netanyahu added. (Globes 30.11)

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1.2 Pension Plan Safety Net Compromise Reached

On 8 December, as reported by the Jerusalem Post, Prime Minister Olmert announced a plan for the immediate implementation of a limited safety net for pension savers aged 57 and older, despite opposition by the Finance Ministry. The safety net will apply to those aged 57 and over with accrued pension savings of up to NIS 1.5 million. However, it will guarantee only part of the funds and will not be retroactive. The plan will guarantee NIS 750,000 at the maximum savings level, which is equivalent to approximately NIS 8,000 in monthly income - the average wage in the economy. Pension savers aged 57 and above with an accrued pension fund of between NIS 1.25m and NIS 1.5m will have NIS 600,000 in guaranteed savings. The safety net will not apply to members of the "old" pension funds, people with budgeted pensions or those with managers' insurance (bituah minahalim). Olmert's plan is a compromise between the limited safety net proposed by the Treasury and the broader approach he had originally demanded along with the Histadrut. One of the major issues dividing experts from the Treasury, the Bank of Israel and the Prime Minister's Office was the age factor. The Treasury's proposal would have applied only to those aged 60 and older earning less than twice the minimum wage, or about NIS 7,700 a month. The proposal originally put forward by Olmert's team was to lower the minimum age of the plan's beneficiaries to 55. (JP09.12)

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2: ISRAEL MARKET & BUSINESS NEWS

2.1 Tower Semiconductor Continues $60 Million per Year Cost Reduction Plan

Tower Semiconductor continues to execute its previously announced cost reduction plan, expected to result in approximately $60m of annual run-rate savings commencing in 2009. This plan focuses on synergies inherent in the merger and integration with Jazz Technologies, such as operational and organizational efficiencies, and also includes stand alone Tower and Jazz cost reductions. A number of cost savings initiatives are being implemented, including reduction in manufacturing and materials' cost through multiple sourcing of materials and spare parts, substitution of expensive materials and parts by less expensive alternatives and price negotiations with suppliers, and a reduction in sustained capital expenditures. With respect to its workforce, Tower announced a reduction of approximately 200 employees resulting in a total reduction of approximately 400 positions in its workforce since the announcement of the signing of the merger agreement with Jazz on May 19 of this year. In addition, Jazz Semiconductor's work force is reduced by approximately 80 employees.

In addition to the elimination of overlapping positions following the completion of Tower's merger with Jazz, the workforce reductions take into consideration the current global economic downturn and its impact on the semiconductor industry as well as the fact that Tower has not yet received from the Israeli government grants related to its capital investments from 2006 to 2008, performed in accordance with its investment plan filed on 2005, which were promised, committed and are over two years past due. In response, Tower has filed a petition with the Israeli High Court of Justice targeting an approval certificate from the State of Israel for up to $80 million of grants.

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. (Tower01.12)

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2.2 Raytex & Camtek Announce Cooperation Agreement

Tokyo's Raytex Corporation and Camtek have reached an agreement to collaborate in the development, production and marketing of a system for automated optical inspection of semiconductor wafers along their production flow. The new system will merge Raytex' leading wafer edge and backside metrology and inspection capabilities with Camtek's proven surface inspection technologies. The integrated system will deliver comprehensive inspection for the complete wafer in a stand-alone, high productivity tool, for the most advanced wafer fabrication facilities. The Companies expect to begin deliveries of the new system in H2/09. Raytex is known as leading wafer edge inspection company. With headquarters in Migdal HaEmek Camtek (http://www.camtek.co.il) designs, develops, manufactures, and markets automatic optical inspection systems and related products. Camtek's automatic inspection systems are used to enhance both production processes and yield for manufacturers in the printed circuit board industry, the high density interconnect substrate industry and the semiconductor manufacturing and packaging industry. (Camtek02.12)

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2.3 Illinois' STATS Acquires Israel's SportVU

Northbrook, Illinois' STATS LLC, a global leader in sports information, has acquired SportVU, a Kfar Saba based innovator in automated ID and motion capture technology, to revolutionize the way sports contests are viewed, understood and enjoyed. With the integration of SportVU technology into its portfolio of sports content solutions, STATS is uniquely positioned to offer dynamic in-game presentations, comprehensive stats, game analysis and tactical coaching tools for its worldwide client network of media companies and professional sports leagues and teams. SportVU utilizes a sophisticated technology to collect positioning data of the ball and participants (players and referees) within the playing field in real time. Complex algorithms are employed to analyze the accumulated data streams and compile meaningful information and insights with incredible precision. All aspects of the data collection process are completely non-intrusive to game action. The result is a powerful lineup of unique performance data, highlighting among other things speed profiles, accumulated distances, fatigue, fitness graphs and coverage maps, all in real time. Founded in 2005, SportVU (http://www.sportvu.com) is focused on improving the quality of sports coverage. Its principals have extensive experience in innovative technologies including visual intelligence, automatic interpretations systems, computer graphics and broadcast graphics. (STATS 02.12)

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2.4 Commtouch in Top 50 Fastest Growing EMEA Technology Companies

Commtouch was ranked Number 32 on the Deloitte Technology Fast 500 EMEA 2008, a rating of the 500 fastest growing technology companies in Europe, the Middle East and Africa. Rankings are based on percentage revenue growth over five years (2002-2007); Commtouch grew 3,319% during this period. In addition to Deloitte's Technology Fast 500, Commtouch placed seventh on the Israel Technology Fast 50, a ranking of the 50 fastest growing technology firms in Israel. Overall, companies that ranked on the Technology Fast 500 EMEA 2008 program had an average growth rate of 1,297%. 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. (Commtouch03.12)

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2.5 BioSante Pharmaceuticals Signs Elestrin Marketing Agreement with PharmaSwiss for Israel

Illinois' BioSante Pharmaceuticals signed an exclusive agreement with PharmaSwiss for the marketing of Elestrin (estradiol gel) in Israel. Elestrin is indicated in the U.S. for the treatment of moderate-to-severe vasomotor symptoms (hot flashes) associated with menopause. PharmaSwiss is responsible for regulatory and marketing activities in Israel. Financial terms of the agreement were not disclosed. PharmaSwiss will submit BioSante's approved U.S. NDA (new drug application) to the Israeli authorities based on BioSante results and manufacturing information. Approval in Israel is expected to take approximately one year. Established in 2000 and based in Zug, Switzerland, PharmaSwiss offers full third party representation of specified drugs or portfolios from research-based pharmaceutical and biotech companies, including drug registration, promotion, sales, compliance and pharma-covigilance. (PharmaSwiss08.12)

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2.6 Radware to Delist from Te Aviv Stock Exchange

On 9 December, Radware announced that its Board of Directors has resolved to delist the Company's ordinary shares from trading on the Tel-Aviv Stock Exchange (TASE). As such, Radware has requested that the TASE initiate the process. Under applicable Israeli law, the delisting of Radware's ordinary shares from trading on the TASE is expected to become effective within three months from the date of request. During this time its ordinary shares will continue to be traded on the TASE. Radware will announce the exact date of the delisting in the coming months. Radware shares will continue to be listed on the NASDAQ Global Market, and the Company will continue to make public reports in accordance with the rules and regulations of NASDAQ and the U.S. Securities and Exchange Commission. Radware (http://www.radware.com), the global leader in integrated application delivery solutions, assures the full availability, maximum performance and complete security of business-critical applications for more than 6,000 enterprises and carriers worldwide. With APSolute, Radware's comprehensive and award-winning suite of intelligent front end, access, and security products, companies in every industry can drive business productivity, improve profitability and reduce IT operating and infrastructure costs by making their networks "business smart". (Radware 09.12)

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3: REGIONAL PRIVATE SECTOR NEWS

3.1 Six Flags Signs Qatar Accord

Six Flags, one of the largest and most widely-recognized theme park operators in the world, has signed an agreement with Oryx Holdings, a Qatari-based diversified group, to open a Six Flags branded location in Qatar. The Six Flags branded location will open at Qatar Entertainment City (QEC) by mid-2012. Under the agreement, Six Flags will provide concept development and planning services to Oryx Holdings for the creation of a 50,000 sq/m Six Flags branded location within QEC. Once this initial phase is finalized, Six Flags and Oryx Holdings will collaborate on the detailed design, development, construction and management of the branded location. Extending the Six Flags footprint beyond Dubai represents another strategic step in its international expansion and further solidifies the reputation as a world-wide leader in family entertainment. (TradeArabia 08.12)

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3.2 Qatar Starts Daily Flights to JFK

Qatar Airways has launched a new scheduled service to New York's JFK International Airport. The daily, non-stop flights will replace the airline's operations to Newark Liberty International Airport, which introduced in June 2007. The JFK route will be the second non-stop service to the US, supplementing Qatar's existing flights to Washington DC. (Various30.11)

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3.3 Dubai Withdraws From Liverpool FC Talks

Dubai's ruler, Sheikh Mohammed bin Rashid Al-Maktoum, has told Liverpool Football Club's owners that he has finally abandoned plans to buy the famous English Premiership side. The club's US owners were informed that he is no longer in contention to buy the club because of the financial climate and their refusal to lower an "unrealistic" £600m ($893m) valuation. This was initially regarded in some quarters as a negotiating tactic, but the negotiators have told the Americans and their respective legal teams that there is no prospect of a bid for Liverpool being revived. Dubai, via state-owned investment vehicle Dubai International Capital first said it was in negotiations to buy Liverpool with its then owners in December 2006, but the Americans won a bidding war, paying £218.9m, according to reports at the time. Dubai has subsequently made an offer of £500m for the club. (AM09.12)

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3.4 Meraas Reviews $95 Billion Project As World Crisis Worsens

Dubai-based developer Meraas said it will review a recently launched $95 billion property project, as more developers reassess and scale back work due to the global financial crisis. The government-owned developer said it was reviewing the phasing and rollout of its Jumeirah Gardens project which was launched at a Dubai property exhibition in October. There would be more clarity and details on the project's master-plan and the product rollout by the beginning of 2009, the company said. The firm's said in October that Meraas aimed to have the project's first phase, which includes about 82 hectares of space, completed and handed over to tenants in late 2011. Meraas Development, part of the holdings group that purchased a stake in the General Motors building in Manhattan, aims to build apartments, shopping malls and offices in some of Dubai's older districts over the next 12 years. Dubai government-owned Nakheel, developer of man-made palm tree-shaped islands, said it had cut 500 jobs and was scaling back on some of its projects due to current market conditions. (Various02.12)

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3.5 Dubai Sees High-End Property Defaults Increase

The Dubai the Real Estate Regulatory Authority (RERA) announced that Dubai is witnessing an increase in defaults on high-end properties as financing conditions worsen and is likely to see smaller developers merge. Tighter mortgage lending, a liquidity squeeze and a real estate slowdown have hit Dubai, part of the seven-member United Arab Emirates federation, in recent months. Signs Dubai's property boom days are over are increasing as developers scale back projects, property prices fall and jobs are cut. Secondary prices in Dubai and Abu Dhabi fell 4 - 5% in October from the previous month, with Dubai's advertised villa prices falling by 19% after several banks tightened lending conditions in August and September, HSBC said recently. (Various30.11)

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3.6 Algerian Desalination Capacity Increases With ERI PX Technology

San Leandro, California's Energy Recovery, a global leader of ultra-high-efficiency energy recovery products and technology for desalination, announced the award of another large-scale energy recovery contract for seawater reverse osmosis (SWRO) desalination in Algeria. The Souk Tleta SWRO Desalination Plant, located in Tlemcen in Northwestern Algeria, will have a total capacity of 200,000 cubic meters per day (m3/day) (52.8 million US gallons per day (MGD)). The plant is slated to begin operation in H1/2010. The Souk Tleta plant is being built by the Singapore-based company Hyflux on a 25-year build, own, operate and transfer (BOOT) basis. It will provide desalinated seawater to the Algerian Energy Company (AEC), the state-owned national water entity of Algeria. Under the contract, ERI will supply the plant with 260 PX-220 energy recovery devices that will save an estimated 21 MW of energy. Energy Recovery (ERI) is a leading manufacturer of energy recovery devices which help make desalination affordable by significantly reducing energy consumption. (ERI09.12)

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4: ISRAEL MACRO-DEVELOPMENTS

4.1 Better Place Plugs First Charge Spot to Electric Car

Better Place Israel, which is deploying the world's first nationwide network for charging electric vehicles, demonstrated for the first time its charging spot plugged in and charging an electric car in Israel. The company unveiled its first plugged in parking lots as well as the charging spot design that will be used in deployments around the world. Better Place Israel CEO Kaplinsky displayed the first electric parking lot in Israel at the Cinema City parking lot in Pi-Glilot. He showcased the charging spots and the charging process of the electric vehicle. Several months ago, the company announced the beginning of the pilot planning in Israel that will constitute the first deployment for the Better Place infrastructure in the world. The company started the network deployment pilot in Israel with several municipalities including Tel Aviv, Haifa, Kfar Sava, Holon and Jerusalem, and it plans to continue to deploy the network in public places in these cities. With the pilot, the company has signed an agreement with "Ahuzat Hof's" parking lots while it also simultaneously finished infrastructure deployment in other areas including the Bazel parking lot, Europe house, Axelrod and the IBM corporate campus. In every parking lot, charging spot infrastructure has been planned and implemented. The deployment included production planning of electricity board installation and deployment of electric cables from the board to the charging spot, with emphasize on safety, quality and the electric network reliability. The charging spot is part of the Better Place electric car charging infrastructure. The Better Place infrastructure includes charging spots, battery exchange stations and a service control center that plans the energy consumption of the car and the whole system.

The charging spot that has been developed in Israel, complies with international standards and is destined to be deployed in Israel, Denmark, Australia, Californian, Hawaii and in other countries where Better Place will deploy its infrastructure. (Better Place08.12)

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5: ARAB STATE & PAKISTANI DEVELOPMENTS

5.1 Lebanon Tourism Hits Four-Year High

Tourism in Lebanon has hit a four-year high, with the first 10 months of 2008 recording the highest number of visitors for the period since ex-premier Rafiq Hariri's murder, the tourism ministry said on 3 December. The number of tourists jumped to 1.10 million up to the end of October, an increase of 28.9% compared to the same period of 2007 when the figure stood at 855,573, it said in a report. It was the highest figure for the January-October period since 2004, when the total stood at 1.12 million visitors. Arab tourists accounted for 54% of visitors in October, the ministry said, hailing the "stable political situation since May 2008" when Lebanon's political rivals struck an accord after deadly clashes in Beirut. Lebanon has witnessed a string of political assassinations since the Beirut bomb blast which killed Hariri in February 2005. In 2006, Lebanon's Shiite militia Hezbollah launched a devastating summer war against Israel, while last year the Lebanese army battled Islamists, and political rivals clashed in Beirut in May before the accord was signed. (AB04.12)

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5.2 Drop in Jordanian Exports To US Does Not Reflect Weakening Ties

Jordan's exports to the US during 2008 dropped by 14.8%, according to US Ambassador in Amman Robert Beecroft, who stressed that the decline in exports, which comes at a time the world is witnessing a financial crisis, does not reflect a weakening in ties between the two countries. Beecroft said Jordan's most recent worldwide trade figures showed $4.7b in exports in 2008 with particular increases in commodities like phosphate and potash, and also in pharmaceuticals and produce. US-Jordan bilateral trade, both exports and imports, totaled $2.2b in 2007, a 500% increase over 1999. Of that amount, Jordan exported $1.3b in goods last year, a 6.6% decrease from 2006. Unfortunately, this decrease has continued, with exports to the US down 14.8% in 2008, the diplomat said. Jordan and the US signed a free trade agreement (FTA) in 2000. The US-Jordan FTA was the United States' third free trade agreement, and the first ever with an Arab state. The ambassador also referred to a recent meeting between US Secretary of State Condoleezza Rice and Minister of Foreign Affairs Salah Bashir on the sidelines of the General Assembly's meeting in New York, where he said the two sides signed a memorandum of understanding on US assistance to Jordan over a five-year period. (JT27.11)

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5.3 Iraqi Parliament Approves Landmark U.S. Military Pact With Large Majority

On 27 November, the Iraqi parliament approved by a vast majority a landmark military pact that will have all U.S. troops withdraw from the country by 2011. The wide-ranging pact was approved by 149 members of the 198 who attended the session of the 275-member assembly, Parliamentary Speaker Mashhadani said before adjourning the parliament for a holiday recess. The vote in favor of the pact was backed by the ruling coalitions Shiite and Kurdish blocs as well as the largest Sunni Arab bloc, which had demanded concessions for supporting the deal. Under the deal, U.S. forces will withdraw from Iraqi cities by June 30 and the entire country by Jan. 1, 2012. Iraq will have strict oversight over U.S. forces. The deal must be ratified by the Presidential Council, whose approval is expected. (Various27.11)

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5.4 Kuwait Real Estate Sales Plummet 56%

Kuwait's real estate sales plunged 56% in October, the seventh month of decline after the government restricted private firms from trading in residential property to curb inflation. Real estate sales were down 40.95% in September and 45.20% in August, compared with the same period last year. Residential sales, the biggest proportion of total sales, fell 74.44% year-on-year to 32.08 million dinars ($116.5 million) in October, from 36.13 million dinars in September and 42.22 million dinars in August. Commercial property fell about 33% in October to 22.35 million dinars, compared with the same period a year earlier, after 61.33 million dinars in September and 12.87 million dinars in August. Investment property sales slowed 45.23% in October to 40.06 million dinars, after 26.51 million dinars in September and 33.86 million dinars in August. Earlier this year, the government introduced regulations barring private firms from buying and selling residential units to try to restrain real estate prices. Kuwait, the only Gulf Arab state without a dollar peg, is fighting record inflation hitting 11.64% in August, mainly on a 13.15% rise in housing costs. The central bank has urged the government, which owns more than 90% of land, to give away more lots to citizens to curb inflation. (AB03.12)

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5.5 Bahrain Inflation Surges 4%

The Central Informatics Organization announced that annual inflation in Bahrain accelerated to 4.4% in October from 3.2% in September. The consumer price index of the smallest Gulf Arab economy rose to 108.87 points compared with 104.34 points a year earlier. Consumer prices in October rose 0.46% from September, as food, beverage and tobacco costs advanced 1.4%, the data showed. Inflationary pressures in Bahrain were moderating, allowing the island kingdom to cut its key interest rates, the central bank said in October. The Gulf Arab state, which pegs its currency to the dollar, slashed its repurchase rate by 125 basis points to 3.5% on October 30 part of a slew of measures by regional governments and central bank to unthaw credit markets during a global financial crisis. (CIO27.11)

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5.6 Bahrain's Real GDP growth 8.1% in 2007

On 26 November, the Central Bank of Bahrain announced that the country's GDP expanded 8.1% in 2007, its fastest pace in five years, as the kingdom expanded its financial, manufacturing and government sectors. That compared with real gross domestic product (GDP) of 6.7% in 2006 and 7.9% in 2005. The value of oil sector output rose 11.2% to $1.6b, while the non-oil sector grew 9.3% to $10.164b, the data showed. Financial corporations advanced 8.5%, manufacturing grew 6.5% and non-financial corporations - which account for about 84% of non-oil GDP - climbed 7%. Bahrain's $18.4b economy, the smallest among Gulf states, was likely to growth 5% or more through to 2010, despite the likely global recession. (CB26.11)

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5.7 UAE GDP soars to $199 billion in 2007

The United Arab Emirate's GDP has grown 112 times more than in 1971 rising from $1.76b to $198.7b in 2007, said Sultan Bin Saeed Al Mansouri, minister of economy. He added that concerted efforts to diversify the economy and a policy of openness adopted by the UAE's leadership have been the prime drivers in establishing the UAE as the second largest Arab economy. Al Mansouri explained that the UAE economy has risen to a global level led by its diversification into tourism, trade and services, which in turn has established a platform for inward international investments. Tourism has played a crucial role in the economic growth of the UAE with the number of tourists exceeding seven million supported by the country's developed infrastructure and economic openness, he added. He said that his ministry has formed a committee of heads of local economic departments to draw up solutions and create plans to overcome the challenges posed by the global financial meltdown. The minister said that the MoE will continue to adopt ambitious initiatives aimed at empowering the local economy, sustaining growth rates and protecting the investment environment. (TradeArabia 06.12)

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5.8 UAE Allows Ministers to Be Company Directors

On 2 December the UAE's Supreme Council of the Federation amended the constitution, retaining a ban on cabinet ministers from conducting commercial activities but dropping a restriction on them sitting on company boards. UAE ministers own some of the country's biggest and most lucrative businesses and often sit on the boards of several different companies at the same time as holding office. The amendment also extended the term of the advisory Federal National Council, which is semi-elected, to four years from the current two. The changes come into effect after they are published in the official gazette. (WAM02.12)

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5.9 UAE to Blocks Low-Paid Workers From Driving

It was reported in the state controlled UAE press that certain foreigners living and working in the UAE will no longer be able to obtain driving licenses if they are doing jobs considered to be menial. Nurses, cooks, housemaids, gardeners and tailors top a list of 100 occupations in which workers without a university education will no longer be granted licenses. It quoted a Sharjah police official as saying the authorities were invoking an existing law, rarely applied in the past, to curb the number of cars on the roads. Licensing officials and driving schools were ordered last week to check applicants' residency permits to determine if they were eligible to drive. It was not clear from the report whether the rule was being imposed across the country or only in Sharjah. The UAE has also decided to ban renewing the road licenses of vehicles more than 15 years old as of 2010, in a bid to curb congestion and pollution. The first phase of a modern metro system in the emirate will not be completed until September 2009. (WAM30.11)

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5.10 Tenders Issued For 800 Km Emirates Railway Plan

Tenders have been issued for the construction of an 800km railway project to link Dubai with Abu Dhabi and the northern emirates. The first phase of the rail scheme will be 573.5 kilometers in length and will serve Abu Dhabi and parts of Dubai. The second phase will be 246 kilometers and will serve other parts of Dubai, the northern emirates and the east coast. It is understood that the first phase of the project would be completed by 2011, with the entire network finished by 2015. The backbone of the network will be an inland line that will run from Ghuweifat on the Saudi Arabian border, past Ruwais and through the desert to Ras al Khaimah. Branch lines will serve Mussafah, Abu Dhabi Airport, Khalifa Port and Taweelah, Jebel Ali, Dubai and Sharjah, Al Ain in Abu Dhabi's eastern region and Fujairah and Khor Fakkan on the east coast. (AB01.12)

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5.11 Egypt's November Inflation Dips

Consumer inflation in Egypt fell to 20.9% in the year to November from 21.2% in the year to October. Inflation in urban parts of the country rose a sliver to 20.3% in the year to November from 20.2% in October, while the rural inflation rate fell to 21.8% from 22.5%. Food prices nationwide fell 0.5% in the month to November, 0.2% in urban parts of the country and 0.8% in rural areas. Many economists expect the central bank to ease interest rates over the next 12 months to help promote economic growth in the Arab country as global commodity prices fall. The bank raised rates six times over the past year to tame inflation. (Reuters03.12)

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5.12 Egypt Claims Significant Oil Find In Western Desert

A US-based oil exploration company has found up to 7,000 barrels of oil a day in a deep well in Egypt's Western Desert, Egyptian state news agency MENA reported on 3 December. MENA said the find included 5,300 barrels of high quality crude and 14 million cubic feet of natural gas daily, and described it as one of the best discoveries achieved in the Western Desert. MENA said that the well, named Zain 1, had a depth of 17,000 feet in a layer of earth dating to the Jurassic era in IPR's concession area, 130km southwest of the Mediterranean port city of Alexandria. MENA added that IPR had also recently made an oil find in its Ramadan 1 well in the Gulf of Suez of roughly 3,000 barrels of crude and 1.5 million cubic feet of natural gas daily. It found a smaller amount of oil in its nearby Ramadan 2 well. Egypt has proven crude oil and condensate reserves of around 4.189 billion barrels, and natural gas reserves of around 76 trillion cubic feet. It is a major natural gas exporter, both by pipeline through Jordan and in liquefied form by ship. (Various03.12)

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6: TURKISH, CYPRIOT, GREEK & BULGARIAN DEVELOPMENTS

6.1 Moody's Warns Turkey Of Recession In Without IMF Deal

Moody's (http://www.moodys.com) has cautioned Turkey that it may face a recession within one to two years if it delays signing a deal with the International Monetary Fund (IMF). The senior vice president and lead sovereign analyst of Moody's, Kristin Lindow, who has frequently delivered similar warnings to Turkey on a number of issues such as the current account deficit and increasing market volatility, this time cautioned Turkey over the possible adverse effects of avoiding a deal with the IMF. The government has faced a wave of pressure from the business world and from international institutions to anchor itself with the IMF at least for another four-year term, but it has so far resisted such demands on the grounds that the IMF's strict public spending limitations would do nothing to help protect it from the global economic crisis.

The IMF is asking the government to revise its growth target for 2009 to 2% and change its investment plans accordingly. On the other hand, the government believes gearing up state investments during times of crisis, when the private sector curtails its spending, would be the best remedy to prevent a recession. The talks between the IMF and Turkey are continuing at the technical level and, according to officials, it is only a matter of time until a deal is signed with conditions closer to Turkey's demands. Lindow said the era of strong growth globally is over now and that the best possible growth estimate for Turkey would be 3% for 2009. Lindow said a new stand-by deal with the IMF would contribute positively to the Turkish economy, adding that without this deal, a recession was almost unavoidable. Although Turkey has sufficient reserves of foreign currency, this state of affairs won't help find a solution to the real problems of Turkey, she noted, claiming that the real problem is a lack of confidence in the market. Recent analyses have pointed to a serious rise in the need for financing. Turkey urgently needs at least $120b to handle the crisis and that the IMF and the World Bank must get involved to help Turkey. (Moody's03.12)

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6.2 'Black' Economy Reigns In Turkey

The rate of unregistered economy in Turkey is double the average among members of the Organization for Economic Cooperation and Development. Unregistered economy in Turkey constitutes 32.1% of the country's economy, says the OECD. With an unregistered economy rate of 32.1%, Turkey has one of the highest rates of illegal markets among OECD countries.

Based on an action plan to fight illegal markets, which is coordinated by the Turkish Ministry of Finance and prepared by related institutes, the average percentage of the unregistered economy in developing countries is 41%. The unregistered economy rate in transition countries is 38%. Among OECD members, the unregistered economy rate stands at 18%, while Turkey's stands at 32.1%. Illegal markets in Greece constitutes 28.6% of the country's entire economy, while Italy's unregistered economy rate stands at 27% and Belgium's at 23.2%.

Due to the fact that there is no universal description of unregistered markets in Turkey, the information on the actual size of the unregistered economy in the country is hazy. The figures on the topic vary anywhere from 23% to 66.2%. The unregistered economy rate in Turkey, as calculated by Ministry of Finance officials, is somewhere in between 26.12% and 37.26%. On the other hand based on the calculations of the OECD, the unregistered economy in Turkey constitutes 32.1% of the country's entire economy. (Various02.12)

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6.3 TurkStat Finds 18% of Turks Below Poverty Line

More than 18% of the Turkish population lived below the poverty line in 2007 while around 0.5% lived below the hunger line, according to a statement by the Turkish Statistics Institute (TurkStat) in its 2007 Poverty Study. According to the study, 18.56% of the Turkish population lives below the poverty line, which refers to the minimum amount a family needs in order to pay its rent and meet its basic needs, such as food, transportation, clothing and education. Another 0.54% of Turks live below the hunger line, the monthly cost to adequately feed a family. Around 0.74% of the population was below the hunger line in 2006, and the percentage of those below the poverty line was 17.81%. The hunger level for a family of four was calculated as YTL 237 in 2007, and the poverty level was YTL 619. The survey also revealed that people living in rural areas are poorer compared to those living in urban areas. While the amount of people in rural areas living below the poverty line was 32.18% in 2007, it was 10.61% for those living in urban areas. The rate of poverty is, understandably, directly related to the number of family members. While the poverty rate for families of three or four members was 9.28% last year, this figure was 42.07% for families with seven or more members. A family's economic status is also related to the sector in which the family's breadwinners work. Those working in the agricultural sector are most likely to face the risk of poverty, with 30.22% under the poverty line in 2007. Around 10% of those working in the industrial sector were living in poverty while this figure was 7.83 for those in the service sector. The rate of poverty among families whose members were in search of jobs was 26.56%. The more educated the members of a family, the more likely the family is to be prosperous, according to the survey. While 34.76% of families who are illiterate were below the poverty line in 2007, this figure was 14.9 for primary school graduates, 8.16 for high school graduates and 0.9 for university graduates. (Zaman06.12)

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6.4 Istanbul Dominates Turkey's Foreign Trade Relations

Istanbul, the commercial heartland of Turkey, makes 55.6% of total exports and 55.3% of total imports. According to Turkey's Foreign Trade Undersecretariat, In Istanbul, 24,482 firms made exports of $63.8b and 32,301 firms made imports of $98.6b. Istanbul was followed by the northwestern province of Bursa with exports of $9.9 billion by 2,649 firms and Izmit with imports of $23.9 billion by 989 firms. There are 45,346 exporter and 54,672 importer firms in Turkey as of the January-October period of 2008. The average export by per firm is about $2.5 million while the average import is nearly $3.2 million. (AA09.12)

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6.5 Turkish Auto Market Seen Shrinking 20% In 2009

On 28 November the head of the Turkish Automotive Distributors' Association said that Turkish automotive market sales are expected to shrink 20% next year in response to the global financial crisis and economic slowdown. Turkey's car industry, which has grown dramatically since a 2001 financial crisis, has not been spared the dramatic global downturn and easing access to credit is crucial in keeping the wheels of industry turning. He declined to specify what action was necessary but the automotive industry has called for steps to ease the tax burden. Last month government sources said it may take steps to reduce loan costs and cut the special consumption tax on vehicle sales. The government is set to announce an economic stimulus package soon but it is not clear if that will include steps to boost the automotive industry. Turkish domestic automotive sales fell 4.2% to 640,000 vehicles last year. Exports rose to $13.38b from $10.13b over the same period. In recent months the export market, crucial to manufacturers in Turkey, has suffered severely. Turkish vehicle exports plummeted 42% year in the first three weeks of November due to crumbling consumer demand in Europe, according to data from the Uludag Exporters Union. The main automotive producers in Turkey are Tofas, a joint venture between Turkish conglomerate Koc Holding and Fiat, Koc-Ford joint venture Otosan, Oyak Renault and Toyota. The large investments by major car producers in Turkey in recent years had put Turkey in a strong position and the country had some advantages compared with other European countries in coping with the global crisis. (HDN30.11)

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6.6 Foreign Visitors to Turkey in October

The number of foreign visitors to Turkey rose by 14.38 % year-on-year in October to 2.462 million, the Culture & Tourism Ministry reported. Tourism is an important source of foreign currency for Turkey, which has a large current account deficit. In September the number of foreign visitors had grown 6.49 % from a year earlier. The number of foreign tourists in the first ten months of the year rose 13.40 % from a year earlier to 23.977 million. Germany sent the highest number of tourists to Turkey in October, with a total of 499,874 making up 20.30 % of all arrivals, followed by Britain which accounted for 9.41 % of visitors. The Mediterranean resort city of Antalya was the top destination for foreign visitors, drawing 31.38% of all arrivals. Turkey's largest city Istanbul was the second most popular destination, attracting 28.10% of foreign visitors. (Xing09.12)

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6.7 Central Bank Sees Cyprus GDP Growth in 2009 at 2%

Cypriot Central Bank Governor Orphanides announced that Cyprus' economy is expected to register a slowdown to growth of around 2% in 2009, with inflation seen falling below 3%. The growth projection contrasts sharply with Finance Ministry estimates, which put 2009 growth at 3%. Orphanides said the global financial crisis was expected to hit construction, tourism and affect consumer spending. Lower prices of oil were expected to pull inflation below 3% next year. Cyprus, which joined the euro zone on January 1, was expected to register growth of between 3.5 and 3.75% in 2008. (FM01.12)

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6.8 Nearly Half of Cyprus Households Have Internet Access

Nearly half of households in Cyprus had access to the internet during Q1/08, up from 39% from the same period a year ago, but still lower than the EU27 average of 60%. Meanwhile, the number of Cypriot households with broadband access jumped sharply by 13 bps to 33% in Q1/08 compared to 20% a year ago in the same period, which is fast catching up with the EU27 average broadband connection of 48%, according to Eurostat data. In 2008, the proportion of households with internet access was three quarters or more in the Netherlands (86%), Sweden (84%), Denmark (82%), Luxembourg (80%) and Germany (75%). The lowest levels were registered in Bulgaria (25%), Romania (30%) and

Greece (31%). The proportion of households with a broadband connection in 2008 was also highest in the Netherlands and Denmark (both 74%) and Sweden (71%). The Member States which had the highest proportions of individuals performing these internet activities were the Netherlands, Denmark, Finland, Sweden and Luxembourg. (FM02.12)

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6.9 Cyprus & Britain Sign MoU on Research

On 8 December, Cyprus and Britain signed a Memorandum of Understanding (MoU) in the fields of scientific research and development. The Memorandum was signed by Cyprus Minister of Education & Culture Demetriou and British High Commissioner to Cyprus Millett. The MoU provides for the establishment of a joint committee composed of officials from the two countries aiming at identifying fields of cooperation, cultivating a favorable climate to facilitate communication between academic institutions and at promoting exchanges of researchers and the exchange of optimum practices and the encouragement of joint research projects. The Cyprus Research Promotion Foundation and the British High Commission will coordinate the implementation of the Memorandum. (FM08.12)

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6.10 Greek Consumer Price Inflation Seen Slowing To 2.9%

Greek consumer price inflation (CPI) in November is seen as slowing to its lowest level since September 2007, helped by falling energy prices and weak domestic demand. November inflation is expected to ease to a 2.9% annual pace from 3.9% in October, and to fall further to 2.7% in December, according to the average of three economists' forecasts. Still, projected inflation in November will be close to a full percentage point higher than average CPI in the 15-nation eurozone. (Reuters06.12)

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6.11 EC Warns Bulgaria against Unilateral Moves to Adopt Euro

The European Commission announced that it cannot support any unilateral decisions related to the introduction of the common European currency in any EU member state. This statement was made by the EU on 5 December regarding the recent suggestions that Bulgaria introduce unilaterally the euro as a national currency, or that the euro be introduced as a parallel currency to the Bulgarian lev. It was pointed out that the position of the European Commission was clear - the euro could be recognized as an official currency in any EU member state only if the respective state met the established criteria for joining the Eurozone. The EU feels that it does not matter whether Bulgaria could introduce the euro as the national currency, or as a parallel currency; the only way to use the euro was the meeting of the stated requirements. The idea about the unilateral introduction of the euro in Bulgaria initially came from the Confederation of

Employers and Industrialists in Bulgaria, and was supported by the Minister of Economy Dimitrov. A number of prominent Bulgarian economists also spoke in favor of such a move. (TSW06.12)

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7: GENERAL NEWS AND INTEREST

*ISRAEL:

7.1 Israel Home to 2.16 Million Muslims & Their Growth Rate is Slowing

On 8 December, the Central Bureau of Statistics (CBS) published statistics relating to Israel's Muslim community on in honor of the Muslim holiday of Eid el-Adha. There were 2.16 Muslims living in Israel at the end of 2007 and the community's growth rate is steadily declining. The Muslim community grew by 33,000 in 2007. The growth rate in 2007 was 2.8% - a significant decrease from previous growth rates of 3.8 in 2000 and 3.0 in 2005. However, the growth rate remains higher than that of any other community in Israel. The plurality of Israel's Muslim population resides in the northern part of the country. Haifa is home to 14% and 38.5% live elsewhere in the north. More than 20% of Israeli Muslims live in Jerusalem, where they constitute one-third of the population. Some 11% live elsewhere in the central district and 14% live in the Negev. The city with the highest Islamic population is Jerusalem, with an estimated 248,000 Muslims. In second and third place were Nazareth and Um el-Fahm, with 45,000 and 43,000 Muslim residents respectively.

The Muslim population is relatively young; 42% of Israeli Muslims are age 14 or younger and only 3% are over the age of 65. The Muslim population's youth results from its high fertility rate. Muslim women living in Israel had an average of 3.9 children at the end of 2007. The average number of children per Muslim family has dropped dramatically in recent years, from over 4.7 in 2000 to its current position at less than four. The Muslim fertility rate is much higher than that of non-Muslim communities in Israel. The rate is 2.8 in Jewish communities, 2.5 in Druze communities and 2.1 among Christians. The Israeli Muslim fertility rate is also higher than that in neighboring majority-Muslim countries: Jordan and Syria each have a 3.2 rate, Egypt's is 3.0 and in Lebanon it is 2.2. (CBS08.12)

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*REGIONAL:

7.2 Kuwait Ruler Reappoints Nephew as PM

Kuwait's ruler has accepted the resignation of the government in a bid to end a crisis with parliament, but reappointed his nephew as prime minister, the speaker of the assembly announced on 1 December. The week before, the cabinet quit over a request by three Sunni Islamist MPs to question the prime minister over a controversial visit by an Iranian Shiite cleric but the emir, who has the last say in politics, did not immediately accept it. The new cabinet will be the fourth in Kuwait since March 2007. Kuwait's ruler, Sheikh Sabah al-Ahmad Al-Sabah, has reshuffled cabinets to resolve similar standoffs. He dissolved parliament in March to end a protracted row with MPs. With a new government in place, deputies cannot question Prime Minister Sheikh Nasser al-Mohammad Al-Sabah on the same grounds again. But as parliament has a history of challenging the cabinet, it remains to be seen whether cooperation with the new government will improve. The crisis jeopardizes crucial economic reforms, such as a plan to set up a markets regulator and measures to tackle the impact of the global financial crisis by pumping cash into the second-largest Arab bourse to reverse months of declines. The three deputies were objecting to Sheikh Nasser's decision to allow the visit by the Iranian cleric, who they said had insulted the Prophet Mohammad's revered companions. They had also wanted to question the prime minister over alleged corruption and mismanagement of funds. Kuwait's parliament is regarded as one of the most politically open among the Gulf Arab states and regularly challenges the government. Kuwaiti rulers have dissolved parliament five times since 1976 to avoid questioning and no-confidence votes. (AB01.12)

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7.3 Architect Reveals Burj Dubai Height

Since its conception the final height of the Burj Dubai, the world's tallest tower, has been the subject of much speculation. But on 3 December, one of the architects behind the mega-project told Arabian Business the Burj Dubai was originally designed to be 808 meters tall. The planned height of the Burj Dubai, which developer Emaar Properties confirmed, was originally 730 meters tall. Skidmore, Owings and Merrill started planning work on the Burj Dubai in mid-2002 after winning a competition to design the tower. The design of the tower, with its three-legged shape, was based on a 72-storey tower SOM worked on called Tower Palace Three in Seoul, South Korea. Emaar still refuses to confirm the final height of the tower, merely stating that when completed it will hold the world record in all four categories as recognized by the Council on Tall Buildings and Urban Habitat - namely, highest structure, roof, antenna and occupied floor. The Burj Dubai's final height had been rumored to be between 700 and 1,000 meters, with media reports last year suggesting it would be 818 meters, citing architects drawings posted on the internet. Rival Dubai-based developer Nakheel in October unveiled plans to build its own skyscraper, which at 1.4 kilometers tall would dwarf the Burj Dubai. (AB03.12)

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8: ISRAEL LIFE SCIENCE NEWS

8.1 Compugen & Merck Serono to Collaborate on Novel Peptide for the Treatment of Inflammatory Diseases

Compugen signed a collaboration agreement with Merck KGaA, acting for its pharmaceutical division Merck Serono, covering CGEN-855, a Compugen-discovered novel peptide targeting the FPRL1 G-protein coupled receptor (GPCR). This peptide has demonstrated, in recently completed initial in vitro and in vivo studies, the potential to treat, among other indications, inflammatory diseases. The agreement covers additional research to be conducted by Compugen and provides Merck Serono with an option to exclusively license the novel peptide for worldwide development and commercialization. CGEN-855 was discovered using Compugen's GPCR Peptide Ligands Discovery Platform, one of Compugen's ten validated drug and diagnostic discovery platforms. The rapidly growing field of peptide therapeutics is a primary focus of the company. In addition to the GPCR Ligands Platform, Compugen now has two other platforms for predicting and selecting product candidates in this field: the DAC Peptide Blockers Discovery Platform and the Viral Peptides Discovery Platform. To date, a number of interesting product candidates have been discovered and validated experimentally through the use of each of these platforms. These product candidates, including the CGEN-855 peptide now moving forward in collaboration with Merck Serono, target therapeutic areas with high clinical and commercial importance, such as cancer, inflammation, metabolism and cardiovascular diseases. Tel Aviv's Compugen (http://www.cgen.com) is a leading drug and diagnostic product candidate discovery company. (Compugen26.11)

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8.2 ProtAb Receives U.S. Patent for Proximab for the Treatment of RA and Type-1 Diabetes

ProtAb, a wholly owned subsidiary of Hadasit Bio-Holdings, announced the receipt of an allowance of a key patent underlying its technology, an antibody called Proximab. The patent covers its structure as well as its immune and therapeutic activity against rheumatoid arthritis and Type-1 diabetes. Proximab is the basis for what will be the company's flagship product. The company currently has a wide estate of patents registered in the United States, Australia and European countries. Pre-clinical studies have shown Proximab to be safe and efficacious in an animal model. More specifically, after humanization, the antibody has demonstrated to preserve its properties and appears to be the appropriate configuration for clinical trials in humans. ProtAb is now currently readying production of the antibody for use in a phase I clinical safety study to take place at the new Hadassah Clinical Research Center in Ein Kerem, Jerusalem, Israel. ProtAb is a portfolio company fully controlled by Jerusalem's Hadasit Bio-Holdings (http://www.hbl.co.il), which is listed on the Tel Aviv Stock Exchange. (Hadasit02.12)

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8.3 Galmed Completes Initial Phase I Study of Aramchol - its Candidate for Fatty Liver Disease

Galmed Medical Research announced the successful completion of the first part of its Phase-I study in healthy human volunteers of its novel drug, Aramchol, developed for Fatty Liver Disease. Aramchol is a novel discovery product designed to affect liver fat and cholesterol metabolism. The effect is mediated by inhibition of a key enzyme involved in the metabolism of fats in the liver and other tissues, called Stearoyl-CoA desaturase 1 (SCD1). In liver cells (hepatocytes), the drug stimulates the break down of fatty acids, by activating a process called beta oxidation while synthesis of fatty acids is markedly decreased. Both effects contribute thus to the documented decrease in liver triglycerides. The completion of the first part of the Phase I studies follows the successful completion of toxicological and pharmacological studies.

Tel Aviv's Galmed Medical Research (http://www.galmedgroup.com) is a biopharmaceutical company which develops innovative, proprietary drugs for the treatment of cholesterol and liver diseases. The Company has developed a series of proprietary fatty acid bile-acid conjugates (FABACs) which selectively affect several pathways in lipid metabolism. These compounds have potential in variety of therapies, as demonstrated in several species in vivo and in human cells and tissues in vitro. (Galmed03.12)

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8.4 Pluristem Receives $1.6 Million Grant from the Office of Israel's Chief Scientist

Pluristem Therapeutics has received a $1.6m grant from the Office of Israel's Chief Scientist (OCS). The grant is part of the Government's Ministry of Industry & Trade's Program to support innovative technologies in Israel. The $1.6m grant represents a 100% increase compared with the grant received by Pluristem from the OCS in the previous year. The funds will be designated to support the clinical trials of the Company as well as research and development activities. Haifa's Pluristem Therapeutics (http://www.pluristem.com) is a bio-therapeutics company dedicated to the commercialization of non-personalized (allogeneic), off-the-shelf, cell therapy products, for which no matching is needed, for the treatment of several severe degenerative, ischemic and autoimmune disorders. The Company is developing a pipeline of products, stored ready-to-use, that are derived from human placenta, a non-controversial, non-embryonic, adult stem cell source. (Pluristem08.12)

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8.5 MGuard Coronary Stent System Approved in Israel

InspireMD announced that the MGuard coronary stent system has been approved for use in Israel by the Israeli Ministry of Health. The MGuard stent system presents a novel combination of a coronary stent merged with an embolic protection device. Lifelong embolic protection is achieved by an expandable, flexible fishnet style, micron level knit sleeve that wraps the stent. In addition, MGuard blocks embolic showers and plaque detachment from the arterial wall, blocking debris at the source during and post procedure. The net is designed to diffuse stent pressure on the vessel wall, thereby reducing injury and lowering the likelihood of restenosis. Since MGuard received CE Mark approval in November 2007 the product has been met with much enthusiasm and celebrated by leading interventional cardiologists worldwide.

Tel Aviv's InspireMD (http://www.inspire-md.com) is an innovative medical device company focusing on the development and commercialization of its proprietary stent system technology, MGuard. The company intends to apply its technology to develop products used in interventional cardiology and other vascular procedures. InspireMD's mission is to utilize its proprietary technology to make its products the industry standard for stents and to provide a superior solution to the key clinical issues of current stenting procedures: restenosis, embolic showers and late thrombosis. (InspireMD08.12)

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8.6 Teva Receives Positive Results on AOK Tender

Teva Pharmaceutical Industries has received notification from Allgemeinen Ortskrankenkassen (AOK), Germany's largest health insurance company, on the results of the most recent tender for finished dosage pharmaceutical products. Teva, together with a partner, was chosen as the supplier of 15 contracts which represent approximately 20% of the tender value. The ex-factory prices (i.e. list prices before discounts), based on IMS, of these tender products for the 12 months ended October 31, 2008 was approximately €203m. Tender prices are considerably lower than ex-factory prices. Teva is aware of ongoing legal challenges against the results of the AOK tender and expects additional challenges in the near future. The AOK has planned to implement the tender in March 2009, but is expected to be able to do so once all legal obstacles have been removed. Israel's Teva Pharmaceutical Industries (http://www.tevapharm.com) 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. (Teva09.12)

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9: ISRAEL PRODUCT & TECHNOLOGY NEWS

9.1 Elbit Systems to Supply an Asian Customer With $10 Million Live Training System

Elbit Systems was awarded a contract by an Asian country for the supply of a "Live Training System" valued at $10 million. The system will be delivered to the customer during 2010. The new system is designated to train a brigade combat team including infantry forces, armored forces and support forces (artillery and air defense). Virtual elements are integrated into the live training for enriching the battlefield display, as well as video capabilities for improving control and debrief. The live training system is mobile and can be rapidly deployed in various training areas with various sizes and features, and enables training in urban scenarios as well. The capability to execute a training activity in the area itself, while utilizing the operational weapons and platforms, without using live ammunition, allows the trainee to acquire experience and skills in field conditions while saving training time and ammunition costs. Haifa's Elbit Systems (http://www.elbit.co.il) is an international defense electronics company engaged in a wide range of defense-related programs throughout the world. The Company, which includes Elbit Systems and its subsidiaries, operates in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence surveillance and reconnaissance (C4ISR), unmanned air vehicle (UAV) systems, advanced electro-optics, electro-optic space systems, EW suites, airborne warning systems, ELINT systems, data links and military communications systems and radios. (Elbit01.12)

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9.2 RADVISION New version of SCOPIA Desktop V5.7 High Definition Desktop Video Conferencing

RADVISION announced the availability of a new version of the award winning SCOPIA Desktop platform with market leading enhancements to high definition video and presentation clarity. SCOPIA Desktop V5.7 can be experienced at a new online demonstration facility in conjunction with its release providing an easy way to experience SCOPIA high definition (HD) quality in audio, video and H.239 data collaboration. SCOPIA Desktop makes it easy to fully participate in meetings no matter where users are: at their desk, at a customer location, or in a hotel in another part of the world. This innovative Web-based desktop conferencing solution allows users to bring audio, video, data, traditional room systems and desktop all into one conference and can be used by anyone inside or outside the enterprise firewall. Now with RADVISION's new demonstration facility, everyone can experience first-hand, the unique conferencing capabilities of SCOPIA Desktop at http://www.radvision.com/tryscopia. SCOPIA Desktop V5.7 features a new video subsystem that provides unparalleled HD video quality for both motion video and data sharing. SCOPIA Desktop's previous ability to receive 720p high definition is now augmented with the ability to send HD business quality 720p video using just a standard USB web camera. Now conference participants using room systems or other HD capable desktop clients can view SCOPIA Desktop participants in HD significantly improving the overall quality of the conference. V5.7 also adds HD resolution to data sharing through the use of H.264 data encoding providing clearer presentations while using less bandwidth for the data stream.

Tel Aviv's RADVISION (http://www.radvision.com) is the industry's leading provider of market-proven products and technologies for unified visual communications over IP, 3G and IMS networks. With its complete set of standards-based video networking infrastructure and developer toolkits for voice, video, data and wireless communications, RADVISION is driving the unified communications evolution by combining the power of video, voice, data and wireless – for high definition video conferencing systems, innovative converged mobile services, and highly scalable video-enabled desktop platforms on IP, 3G and emerging next-generation IMS networks. (RADVISION02.12)

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9.3 EZchip Delivers NP-3 Network Processor Evaluation System With 24 Gigabit Ports

EZchip Semiconductor announced that it is shipping its NP-3 EZappliance, a compact hardware platform based on EZchip's NP-3 30-Gigabit network processor. EZappliance is a powerful platform that utilizes the NP-3 network processor and is provided to EZchip's customers as a tool on which to develop and test their application-specific software and expedite the introduction of their NP-3 based systems to the market. The EZappliance can also be utilized by network equipment vendors as well as application software vendors as a hardware platform on which to deliver their software-based solutions with enhanced performance, shortened time-to-market and reduced development costs. Such solutions may include Ethernet access and metro switches and routers, traffic bandwidth control and management, security gateways and network probes for traffic monitoring and analysis. The NP-3 EZappliance is a 1U stand-alone or rack-mountable system with 24 Gigabit Ethernet SFP ports and two 10-Gigabit XFP ports, and features full redundancy including swappable AC/DC power supplies, fan tray and filter tray. It is a complete control-plane and data-plane solution that provides fully-programmable packet processing and fine-grained hierarchical traffic management.

Yokneam's EZchip (http://www.ezchip.com) is a fabless semiconductor company that provides Ethernet network processors. EZchip provides its customers with solutions that scale from 1-Gigabit to 100-Gigabit per second with a common architecture and software across all products. EZchip's network processors provide the flexibility and integration that enable triple-play data, voice and video services in access, metro and edge systems that make up the new Carrier Ethernet networks. (EZchip02.12)

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9.4 Plurality's 64-Core Accelerato Delivers Market's Highest Performance per Cost, Power & Size

Plurality announced the industry's first complete silicon Intellectual Property (IP) solution for its HyperCore processor, the market's most powerful, space-saving and energy-efficient 64-core shared-memory processing engine. Plurality, a developer of advanced manycore processor solutions, has made the HyperCore processor IP available to help developers rapidly integrate the general-purpose accelerator into system-on-chip (SoC) designs. The 32 GIPS, 8 GFLOPS 64-core processor acts as a performance extension to the industry's most popular processor architectures (x86, PowerPC, and ARM). The IP version of the HyperCore processor, announced here at the IP '08 IP-Based System Design Conference and Exhibition, represents a game-changing shift in the way VLSI architectures can be designed.

Netanya's Plurality (http://www.plurality.com) develops advanced silicon 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 per watt per square millimeter at the lowest cost of any currently available chip-level, shared-memory machine. (Plurality 05.12)

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9.5 ECI Telecom Extends 1Net Framework with End-to-End MPLS Transport Solution

ECI Telecom has enhanced the BroadGate (BG) line of micro MultiService Provisioning Platforms (µMSPP) with Multiprotocol Label Switching (MPLS) capabilities, building on its 1Net framework promise of offering operators a smooth migration to all IP, next generation networks (NGN). The MPLS-enhanced BG platform complements ECI's MPLS-based and MEF-certified platforms, the XDM family of MSPPs and the 9000 family of Carrier Ethernet Switch Routers (CESR), delivering end-to-end, access to core, carrier-class Ethernet services. The entire product line is centrally managed by ECI's LightSoft unified network management solution. ECI's 1Net framework focuses on optimal transition to next generation networks through cost-effective and gradual introduction of new revenue generating services, with fast time to market and low total cost of ownership while leveraging carriers' existing infrastructure. Petah Tikva's ECI Telecom (http://www.ecitele.com) delivers innovative communications platforms to carriers and service providers worldwide. ECI provides efficient platforms and solutions that enable customers to rapidly deploy cost-effective, revenue-generating services. (ECI Telecom08.12)

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9.6 Elbit Vision Systems Wins Orders From Two Leading Chinese Manufacturers

Elbit Vision Systems has a won two orders for ultrasonic inspection systems, totaling $700,000. Both are orders from leading aerospace and plate manufacturers. The inspection systems will be used by the customers for the critical tasks of checking for structural flaws in aircraft materials and metal plates, prior to assembly. Kadima's EVS (http://www.evs-sm.com) offers a broad portfolio of automatic State-of-the-Art Visual and Ultrasonic Inspection Systems for both in-line and off-line applications, and quality monitoring systems used to improve product quality, safety, and increase production efficiency. EVS' systems are used by over 600 customers, many of which are leading global companies. (EVS08.12)

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9.7 Magal Receives $5 Million in Orders to Protect Dozens of Utility Sites in Eastern Europe

Magal Security Systems recently signed approximately $5m of contracts, to supply and install intrusion detection systems for dozens of utility facilities located in Eastern Europe. The systems will be supplied and installed during 2008 and 2009. This turnkey project includes Magal's DTR-2000 Taut Wire Intrusion Detection System, combined with a Dual Technology Motion Sensor (Passive Infrared and Microwave), integrated by a Control Unit. Yehud's Magal Security Systems (http://www.magal-ssl.com) is engaged in the development, manufacturing and marketing of computerized security systems, which automatically detect, locate and identify the nature of unauthorized intrusions. Magal also supplies video monitoring services through Smart Interactive Systems, a subsidiary in the U.S. The Company's products are currently used in more than 70 countries worldwide to protect national borders, airports, correctional facilities, nuclear power stations and other sensitive facilities from terrorism, theft and other threats. (MSS08.12)

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9.8 Germany's Net at Work Improves Anti-Spam & Anti-Malware Offering with Commtouch

The German independent software vendor, Net at Work, recently selected Commtouch Recurrent Pattern Detection technology to improve spam and malware detection in its NoSpamProxy Gateway software. Net at Work has implemented Commtouch's Anti-Spam and Zero-Hour Virus Outbreak Protection solutions, in addition to its own in-house mail filtering techniques and its use of public blocklists. NoSpamProxy is a gateway solution that includes intelligent filter technologies, known as “Level of Trust” dynamic reputation technology. It is targeted at mid-sized companies (50-1000 employees) and internet service providers throughout primarily Germany, Austria and Switzerland. Commtouch RPD is a content and language agnostic technology that blocks spam and malware with superior detection rates and low false positives. A Net at Work client recently reported the immediate benefits resulting from the new Commtouch implementation when its network became a target of this attack.

Netanya's Commtouch (http://www.commtouch.com) is the source of proven messaging and web security technology for over 100 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 130 countries. (Commtouch 09.12)

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10: ISRAEL ECONOMIC STATISTICS

10.1 Israel's Incoming Tourism Breaks Record

On 1 December, Israel's Minister of Tourism Avraham-Balila announced that three million tourists visited Israel in 2008, 30% more than in 2007. Ministry of Tourism figures show that the tourism industry generated NIS 25b in 2008, 9% more than in 2007. Indirect output from the tourism industry is estimated at NIS 40b. The increase in tourists boosted employment by the industry by 10% compared with last year, to about 90,000 people. Avraham-Balila said that she has approached her Jordanian and Palestinian counterparts to convene a regional tourism conference. The Ministry of Tourism said that it expects 3,000 hotel rooms to be built by 2012. (Globes 01.12)

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10.2 Medical Tourism In Israel Worth NIS 160 Million This Year

Medical tourism in Israel will total NIS 160 million this year, compared with NIS 100-110 million in 2007, according to a study by The Center for Academic Studies at Or Yehuda. This fact was cited in Globes. Most treatments are for foreign tourists carried out at Hadassah Medical Organization in Jerusalem, Tel Aviv Sourasky Medical Center (Ichilov Hospital), and Tel Hashomer Medical Center. The study polled 100 patients at the hospitals. It found that 48% of the patients came from Eastern Europe, mostly Russia and Ukraine; 37% came from Jordan, Cyprus, Turkey, the Palestinian Authority, and other neighboring countries; and 14% came the US and Western Europe. Some 65% of the patients came to Israel for complex or risky surgical treatments and 35% came for various cosmetic treatments. The economic crisis is expected to reduce the number of cosmetic surgical treatments of foreign patients in 2009. (Globes 01.12)

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10.3 Israel's Currency Reserves Highest In Two Years

The Bank of Israel announced in 1 December that its foreign currency reserves totaled $36.83b at the end of November, $1.66b more than a month earlier. The Bank intends to continue its policy of increasing foreign currency reserves and set a new target of $40-44b. The Bank added that it will continue buying $100 million a day. The Bank of Israel noted that since it launched its dollar purchasing program in March 2008, it has bought $10b. Its foreign currency reserves totaled NIS $28.48b at the end of February, $8.3b less than now. The Bank of Israel attributed the increase in foreign currency reserves in November to $1.8b in dollar purchases on the market and an upward revaluation of the reserves of $165 million. These were partly offset by a decrease of $177 million in banks' foreign currency deposits with the Bank of Israel, and $124 million in public sector transfers abroad. (BoI01.12)

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11: In Depth

11.1 LEBANON: Coping Well

The Oxford Business Group observed that for a country that has seen more than its fair share of strife in the past few years, Lebanon is showing remarkable resilience in the face of the international financial crisis. Much of the credit for Lebanon's relatively strong position has been given to the policies of the central bank, which has banned local lenders from buying up sub-prime debt packages, set tight ceilings on loan levels for real estate projects and required banks to have at least 30% of their assets in cash.

As a result, banking assets totaled $91.7bn as of the end of September, according to a report by the Gulf Finance House issued at the end of November. Central Bank Governor Riad Salameh has put the figure even higher, telling a press conference on November 26 that the assets held by Lebanon's private banks now stood at more than $100bn, almost four times the country's gross domestic product (GDP), with the central bank itself holding almost $20bn more in foreign currency and other assets.

According to Salameh, the highly regulated nature of Lebanon's financial sector was born out of necessity. "Our sector would be much more developed if Lebanon did not have political and security risks, but it has also induced us to have a conservative reflex because we were always getting ready for the worst case scenario," he commented.

While most agree that Lebanon's banking industry is well placed to ride out the worst of the storm engulfing the global financial sector, there are growing concerns that the slowdown in the Gulf region will have a flow-on effect. In particular, there are fears job cuts in the Gulf's construction and financial sectors will result in Lebanese expatriate workers being made redundant, bringing about a reduction in remittances sent back home. Funds sent home from Lebanese employed overseas add around $5.5bn a year to the country's economy, according to central bank figures, a contribution that could be put at risk if the Gulf economies contract, economist Charbel Nahas was reported as saying.

If the credit squeeze persists in the Gulf, real estate companies are likely to slash staff in the near future, meaning many Lebanese workers in the region will be forced to return home, Nahas told the local press on December 2. Remittances from Lebanese expatriates could fall by more than 30% next year if more companies in the United Arab Emirates (UAE) and other Gulf states started reducing their number of staff, while the rate of growth for Lebanon's economy could slip to between 1 and 0% in 2009, he warned.

The International Monetary Fund (IMF) also warned that a spillover of the global financial market crisis to the region could jeopardize Lebanon's financing strategy, including reducing debt to GDP ratios and implementing structural reforms with the support of donor countries. In a bid to support the government's economic plan for 2008-09, it announced on November 19 that it would provide Lebanon with $37.8m under its Emergency Post-Conflict Assistance (EPCA) program. "Pushed by rising international commodity prices and the past depreciation of the US dollar, average consumer price inflation is likely to reach 12% in 2008, and decline to 8% in 2009 - somewhat higher than inflation in trading partners on account of an increase in domestic wages," the IMF said.

That said, the IMF did predict Lebanon's real GDP growth was likely to reach at least 6% in 2008 and 5% in 2009, led by strong performances by the construction and tourism sectors. (OBG05.12)

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11.2 LEBANON: Pharmaceuticals and Healthcare Industry for Q4/2008

Research and Markets (http://www.researchandmarkets.com) has announced the addition of the "Lebanon Pharmaceuticals and Healthcare Report Q4 2008" report to their offering. Our Lebanon Pharmaceuticals and Healthcare Report provides independent forecasts and competitive intelligence on Lebanon's pharmaceuticals and healthcare industry.

In our updated Business Environment Ranking matrix, Lebanon is ranked 11th, out of the 15 markets – now including Algeria and Kenya – surveyed in the Middle East and Africa (MEA) region. Lebanon's position is one place lower than in the previous quarter, mostly reflecting the modest forecast growth of its pharmaceutical market and other limitations to limits of potential returns, such as the small population size. In fact, Lebanon is ranked above only the African markets in our table, with its pharmaceutical market being viewed as the least promising among those of its Arab peers.

Apart from the turbulent political situation, other unresolved issues facing the Lebanese healthcare sector include insufficient funding. In August 2008, underlining our view that Lebanon's healthcare funding model is in need of an overhaul, the UN Development Program (UNDP) estimated that reform of the country's national social insurance system (NSSF) could reduce healthcare costs by up to 15%. Further highlighting the need for change, data from NSSF shows that its financial position is becoming more precarious, given that its expenditure continues to exceed contributions. By the end of 2008, the NSSF estimates that its deficit will reach $365mn, if the government fails to provide additional funding. In light of the above, the higher uptake of generics is likely to be viewed as necessary. In fact, generic substitution is likely to become an increasing trend over the forecast period, which will hamper stronger growth of the overall pharmaceutical market values. By value, generics are forecast to top $121mn in 2012, representing over 20% of the total market, up from the 2007 figures of $94mn and 19.9% respectively. However, most of these drugs are likely to arrive as imports, as quality concerns continue to affect the domestic pharmaceutical manufacturing industry.

In terms of the country's background, Lebanon's GDP growth remains on track for a 2.0% increase for the remainder of the forecast period, with some domestic momentum, a resilient banking sector and still huge reconstruction potential mitigated by a negative political outlook, a deteriorating global backdrop and a decidedly mixed picture with regards to economic policy. The main issue is the fact that political issues will not allow for the return of investor confidence, while the high level of inflation (almost hitting double figures) will continue to threaten the already low consumer confidence. (R&M01.12)

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11.3 QATAR: Food on the Table

The issue of food security has lately been making headlines in Qatar as the country considers its supply options for the future. Speaking at a seminar in Doha on the global food crisis, United Nations Secretary General Ban Ki-moon said food security was a critical issue and would become even more so in the immediate future. "The situation is expected to get worse as the global population increases, as climate change accelerates, as fuel prices fluctuate and as the financial crisis continues to unfold," he said on November 30.

Qatar's government is well aware of the potential risks to food security outlined by Ban. Only 28,000 hectares of Qatar's 1m-hectare landmass are considered arable, and this portion is shrinking rapidly as salinity levels in the groundwater rise and increasing desertification takes hold, according to a study by the Qatar Science and Technology Park (QSTP). As the amount of land under the plough falls, so Qatar's need for imported agricultural products grows. Current estimates show that around 90% of Qatar's food requirements are met through imports.

In order to secure its future food needs, Qatar has been investigating opportunities to invest in the agriculture sectors of a number of countries across Africa and Asia, the latest being Kenya. According to local media reports, Qatar is seeking to lease 40,000 hectares of land in the Tana River delta region in the north of Kenya for crop production. News of the plan came after Kenyan President Mwai Kibaki returned from a visit to Qatar at the end of November. Isaiah Kabira, spokesman for the Kenyan president, said the leased land, which is owned by the state, would be used to grow fruit and vegetables.

For Qatar's part, it has offered to provide loans of up to $3.5bn to the Kenyan government to build a new deepwater port at Lamu, close to where Doha is hoping to lease land. According to a statement issued on December 1 by President Kibaki's office, Qatar's ruler, Sheikh Hamad bin Khalifa Al Thani, said his government was "keen on the Lamu project as it sought to diversify its international investment portfolio." If it goes ahead, the Kenyan venture will not be Qatar's first foray into agriculture in other countries.

In May, Cambodia's deputy prime minister, Hor Namhong, announced Phnom Penh and Doha were close to signing an agreement that would see Qatar invest $200m in his country's agriculture sector, in return for which Qatar would secure purchasing options on yields from the crops. Similarly, in early September, local media reported that Qatar and Vietnam had established a $1bn joint fund to invest in a number of sectors including agriculture, with the Qatar Investment Authority (QIA) to provide 90% of the fund's equity. Phung The Long, Hanoi's ambassador to Doha, said both animal breeding and crop projects were being discussed. "We like to have cooperation in this field. Qatar can provide the finance to grow food grains in our land and these can be exported to Qatar," he said.

Qatar has also invested in meat production in Pakistan and, in a deal stuck in July, agreed to set up a joint company in Sudan to fund grain-growing ventures. Though Qatar's investments may ensure food security, physical security for the projects could be another issue.

According to Eckart Woertz, program manager for economics at the Gulf Research Centre, investing in the agriculture sectors of some of these countries could entail a risk for Qatar and other Gulf states looking to secure their own food supplies, especially if their presence is seen as a threat to local access. "These are countries that come with a lot of political baggage," Woertz told the Associated Press news agency on November 30. "People riot when they don't get food."

Another to sound a note of caution was Lennart Bage, president of the International Fund for Agricultural Development (IFAD). Bage told local media on December 1 that Gulf states making agricultural investments in Asia and Africa must safeguard the interests of local communities or else they risk setting off a backlash. "The important thing is to have the right approach because in many countries, speaking generally, there is a need for investment in agriculture," he said. "If the investments are done in a way that benefits the local population, then it's a win-win situation."

By providing funding for other projects, such as the port in Kenya, it appears that Qatar is more than aware of the delicate balance that must be maintained and is working to contribute further to the economies in which it is investing, rather than just reaping what it sows. (OBG05.12)

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11.4 QATAR: Boosting Port Ability

Qatar has taken a major step in expanding its maritime services industry, inking two key contracts as part of a multi-billion dollar port development whilst dismissing concerns that the crisis in the global economy could affect the project or its long-term viability. On November 10, the steering committee chairman of the New Doha Port Project, Abdul Aziz Al Noaimi, signed contracts with Cansult Maunsell and WorleyParsons Qatar to provide project management services and engineering design for the development and construction of the New Doha Port (NDP).

Speaking at the contract signing ceremony, the Oxford Business Group reported that Al Noaimi rejected suggestions that it might not be the right time to launch an estimated $3.8bn project, arguing that the construction of the port was a sign of Qatar's economic stability. "The signing of the two contracts gives a good impression about the strength of the stability of our financial situation. To go ahead with the new port is evidence that we are not affected by the financial turmoil going on in the world," he said.

However, there have been concerns that the impending global recession could put a dent on Qatar's ambitious plans. A report issued at the end of October by the Abu Dhabi-based Arab Monetary Fund (AMF) warned Qatar could see a steep fall in its gross domestic product (GDP) in the last quarter due to falling oil prices, which could in turn slow economic growth.

The AMF report reckons year-end GDP growth could fall to around 11.6%, down from the 60% recorded in the second quarter of this year, though still up from 2007 annualized rate of 8%. Although a drop, the figure is still hugely positive in comparison with many developed economies.

Though GDP may tumble as oil and gas prices retreat, Qatar's Finance Minister, Yousef Hussein Kamal, has said the country must increase the pace of infrastructure investments to give the corporate sector the chance to develop. Speaking at a conference in Doha on November 12, the minister said the 2009-10 budget, due to be handed down in March, will see a rise in infrastructure spending.

While Qatar has built up impressive cash reserves in recent years, it may be forced to dip into its savings to meet this commitment. The 2008-09 budget set aside $8.5bn for infrastructure projects, out of a total expenditure of $26.6bn. But with oil prices slipping close to $50 a barrel, the base rate used for calculating earnings in this year's budget, Qatar may have to take a hard look at some of its big ticket projects, as has been the case in other states in the region.

Initial work on the new port, to be located offshore, approximately 5km east of the new international airport site, is scheduled to start early 2009, with dredging a sea channel that will link to the existing sea channel for the nearby Messaeid Industrial City (MIC). The port will be built in three phases, with the first stage expected to be operational in 2014, and completed by 2025. When finished, the port will have five cargo terminals and berths, four container terminals and berths, one berth for roll-on/roll-off vessels, a livestock berth along with storage, administrative and Customs facilities. The 20 sq km site will be linked to the mainland by a 8.5 km bridge.

A number of other Gulf sates, such as Dubai and Oman, are also engaging on major port construction and expansion projects. Part of the rationale behind these schemes is to develop regional shipping centers. By contrast, Qatar's new port is being designed to support the country's program of economic diversification and transform Qatar into a major regional business and financial centre.

The new facility will take over the cargo handling role currently played by the existing port of Doha, which officials say may be decommissioned as the site does not offer ample room for the necessary expansion and the longer-term development planned for Doha.

In an interview with the business journal The Leader's Magazine in early October Al Noaimi said the old port was reaching its maximum throughput capacity. It is currently able to move around 1m TEU (20 Feet Equivalent Unit) per year. By comparison, the New Doha Port will have a far greater cargo handling capacity, with each of the new container terminals able to handle 2m TEU's annually as well as being able to berth larger vessels due to the extensive dredging planned.

The decommissioning of the existing port in Doha will also free up valuable land close to the centre of the capital for redevelopment, another justification for shipping maritime operations out of the city and closer to the country's expanding industrial base. The construction of the new port will "provide additional capacity and room for future growth and is one of a number of measures being taken to help alleviate the traffic congestion on the roads of Doha," Al Noaimi said. While improving driving conditions in Doha and opening up valuable real estate are both positives from the new port project, it will be the facility's role as the country's main import gate that will be of greatest importance. (OBG28.11)

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11.5 UAE: Food & Drink Industry Report Q4/2008

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

Both international and local chains have continued with their investments into the UAE's food and drink sector, despite the global economic downturn. In June, American coffee and baked goods chain Dunkin' Donuts opened its largest commercial kitchen in the Middle Eastern region, located in the UAE emirate of Sharjah. This new facility will allow Dunkin' Donuts to supply its kitchens with fresh deliveries twice daily and will facilitate the company's plans for rapid regional expansion. Dunkin' Donuts is currently the largest coffee and baked goods chain in the world, and has been present in the Middle East for over 10 years. Following a series of expansions, it has established a network of over 50 outlets in the UAE alone. In late 2007 it announced that it will invest $2.72m in its Middle Eastern operations over the next three years. With this latest investment the company is making clear its commitment to the regional market, as it faces growing competition from both international and local players.

One such competitor is Dubai-based Blends and Brews which announced in August 2008 its plans for rapid expansions, both regionally and internationally, on the back of local success. The company plans on launching outlets in all key locations in the UAE, with 20 new coffee shops planned by the end of 2009. Blends and Brews, which is a part of the Thumbay Group, has said that its first wave of expansions will concentrate on the Middle East and Far East, but that it eventually hopes to expand to Europe as well. As incomes have been rising and the region has become increasingly Western influenced, the popularity of Western-style coffee shops has grown. With the oil-driven economic boom of recent years, consumers are increasingly finding themselves able to spend more on non-essential food and drink items, thus driving the growth of premium coffee drinks. An increasing number of expatriate workers and tourists are also driving a shift towards more Westernized consumption methods and a rise in premiumization and health consciousness that will be the main avenues of growth for coffee sales. Both Dunkin' Donuts and Brews and Blends are pursuing these expansions on the back of the popularity of Western-style coffee shops.

However, it is not all smooth sailing ahead, as in August it was revealed that dairy firms in the UAE are struggling with a shortage or fresh milk and are turning instead to skimmed milk powder as an alternative. This problem has been exacerbated by the heat of the summer months, during which time cows produce less milk. With prices driven up by this shortage, coffee chains will be seeing the effects on their profit margins. (R&M 27.11)

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11.6 UAE: Ras Al Khaimah - Zoning In

Ras Al Khaimah (RAK) is actively promoting itself as a production and re-export hub for the Middle East, reports the Oxford Business group, though it faces stiff competition from other Gulf states, especially fellow emirate Dubai. RAK is pinning much of its hopes of attracting new business on its rapidly developing free trade zone (FTZ), which was established in 2000 to attract investment and boost economic diversity by moving the emirate away from a dependence on natural resources and agriculture toward a service-based economy. The FTZ can boast a certain degree of diversity itself, as it consists of three main but separate sites - the RAK Free Trade Zone Technology Park, the RAK Free Trade Zone Industrial and the RAK Free Trade Zone Business Park.

According to Oussama El Omari, the chief executive officer and director general of the Free Trade Zone Authority (FTZA), both Ras Al Khaimah's location at the crossroads of Europe and Asia and the strong business opportunities in the region can help the zone to develop. This is in spite of, or indeed partly due to, the ongoing global economic crisis. "With the international crisis, western countries are looking to this part of the world as a safe investment destination," he told OBG on November 5. "The region is emerging as a re-export centre, as reflected in our growing trade, and we want to make sure that we help those western countries to get out of the crisis by creating export programs and business opportunities for them," he added.

There are already some 5,000 companies registered in the FTZ, a number the zone's management hope will double in the next three years. To meet this objective, FTZA has been pursuing an aggressive business strategy to promote itself in overseas markets. Having already established offices in Dubai and Abu Dhabi, the zone's management has opened offices in India, Germany, Turkey and most recently the US.

Indeed, there would appear to be a strong business rationale behind promoting the FTZ in the US, El Omari said. "In light of the fact that more than 13% of Gross Domestic Product (GDP) in the US comes from exports and that US companies are seeking more tools to export their goods, we see a growing potential coming from the US market by supporting the US trade and export from Ras Al Khaimah," he told OBG.

Another market being targeted is Turkey. According to RAK FTZ's regional manager in the country, there are already around 80 Turkish firms registered in the zone, with more expected to follow. This interest is only natural considering that Turkey is now the 15th largest economy in the world; it is the perfect time and opportunity for them to establish headquarters or branches outside of Turkey, and the RAK FTZ is the very gateway to make that happen.

One of the advantages that the FTZ is seeking to play on when attracting potential occupants is that it is not Dubai. Indeed, the zone is positioning itself as an alternative to its fellow emirate. The FTZA says companies operating in the zone are able to benefit from all of the services provided in nearby Dubai, such as a high-grade transport network and infrastructure, but at a more competitive price. "Dubai's boom has made it one of the most expensive locations in the world," El Omari said in the November edition of the magazine Site Selection. "Therefore, it is much better for service providers working with clients or projects there to come to RAK, 45 minutes away, and provide their services from here."

Perhaps ironically, the ongoing global economic crisis could undermine some of RAK's cost advantage over its rival. With property prices in Dubai having dropped 4% in October according to a study by HSBC, and new projects coming on line to boost office and industrial space, rental costs are likely to fall, adding to the lure of the emirate.

A positive help to the FTZ is the government's future plans to build four new power stations amounting to over 500 megawatt, all due to be operational within three years, which will supply RAK FTZ's future needs. RAK FTZ is also looking for temporary and alternative power to make sure that their current clients and projects will have uninterrupted electricity supply. Despite these difficulties and competition, RAK's FTZ has established itself as a popular alternative to Dubai, with around 1500 new companies having based themselves in the zone in the past year, according to the FTZA. If it can maintain this pace, Ras Al Khaimah could well achieve its target of being right in the zone. (OBG01.12)

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11.7 OMAN: Pharmaceuticals & Healthcare Report for Q4/2008

Research and Markets (http://www.researchandmarkets.com) has announced the addition of the "Oman Pharmaceuticals and Healthcare Report Q4 2008" report to their offering. The Oman Pharmaceuticals and Healthcare Report provides independent forecasts and competitive intelligence on Oman's pharmaceuticals and healthcare industry.

Although Oman's drug market remains small, even by regional standards, growth is strong, averaging over 6% per annum in nominal terms over the forecast period. However, expected high inflation in the economy in 2008 and 2009 should erode some of these gains in the short-term. Key drivers of growth include an ageing population, an advanced healthcare system and a further drive towards modernization funded by soaring oil revenues. By 2012, the total market value should reach $151.7mn, up from $108.9mn in 2007.

In an important regulatory development, Oman's Ministry of Health will tighten controls on the approval of herbal medicines in response to the growing popularity of alternative therapies. By October 2008, all herbal medicine importers must be licensed by the Directorate General of Pharmaceutical Affairs and Drug Control (DGPA&DC). Furthermore, herbal products will need to be approved by the DGPA&DC. This could impact sales of OTC drugs in the shot-term as unlicensed drugs are pulled form the market, although ultimately a strong regulatory system will be beneficial to market development.

Meanwhile, in July 2008, to reduce public expenditure on health, Oman invited private hospital chains from India to establish large-scale facilities in the southern Dhofar region. It is our view that at least one hospital will be built, given the strong commercial ties that already exist between the two countries. Moreover, we believe that expansionist Indian player Apollo Hospitals will be involved in this pioneering scheme because it already has a facility in the capital Muscat.

In our Business Environment Raking (BER) for the Middle East Region, Oman is ranked in mid-position, despite improving its score marginally in the quarter. Areas of improvement include Market Risk, with Oman scoring well for intellectual property and recently tightening its regulations regarding herbal products. Regulations could improve further as the Gulf Co-operation Council (GCC) looks to further integration, with the establishment of a GCC common market at the beginning of 2008. (R&M01.12)

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11.8 EGYPT: 2008 Article IV Consultation, Preliminary Conclusions of the IMF Mission

Introduction

1. Economic performance since 2004 has been impressive, underpinned by the structural reform program that has included tax reform and fiscal consolidation, the liberalization of foreign trade, investment, and the exchange market, the privatization of state entities, and measures to strengthen bank balance sheets and banking supervision. The reforms have raised Egypt's potential output and provided more room for maneuver with respect to macroeconomic policies.

2. The policy challenges facing the authorities have changed since the last Article IV consultation mission in September 2007 and even since the interim Fund staff visit in March-April 2008. At the time of the latter, the most pressing issue was to contain inflation when monetary and fiscal policies were constrained by limited exchange rate flexibility, large-scale capital inflows and the growing cost of fuel and food subsides. Now, inflation appears to be past its peak and the more urgent challenges are to maintain growth and balance of payments stability in the context of the global financial turmoil and a rapidly deteriorating international economic outlook. The achievements under the authorities' economic reform program have increased the prospect that these challenges can be met successfully.

3. With these challenges in mind, our discussions with government officials and private sector representatives aimed at trying to clarify: (i) the extent of the likely slowdown in economic activity; (ii) the scope for counter-cyclical policies to support growth and employment creation; (iii) the ability of the banking system and the balance of payments to withstand further buffeting from the international crisis; and (iv) areas that could be given greater emphasis in the reform program going forward.

4. The discussions with the Egyptian authorities on these issues revealed a clear awareness on their part of the main challenges and the key risks ahead. In our discussions with private sector representatives, we found a broad consensus among them on the near-term economic and financial prospects and risks.

Recent Developments and Near-Term Prospects

5. A slowdown in economic activity would appear to be inevitable given the increased global integration of Egypt's real economy. Prior to the international crisis, the economy looked set to record another strong performance in 2008/09, with growth likely to have been close to 7%, the annual average of the previous three years. However, the international crisis is likely to undermine FDI flows and make domestic investors more cautious; private consumption is under pressure from an inflation-related squeeze on real incomes, and net exports of goods and services are set to weaken further as key markets shrink and prices fall. As a result, real GDP growth is likely to slow over the next 12-18 months, before picking up as the recovery of the international economy takes hold.

6. While the prospects for growth may have dimmed, the inflation outlook has improved markedly. The surge in inflation this year (to 24% in August 2008) reflected a combination of world commodity price developments, changes in administered prices, and pressures from buoyant domestic demand. However, exchange rate policy also contributed to the surge because of the limited flexibility of the pound against a weak U.S. dollar and the partial sterilization of capital inflows, which raised non-U.S. dollar import prices and created the monetary conditions that ignited second-round

inflation effects. The impact of the international crisis has been to reverse many of these causal factors: falling world commodity prices and the slower growth of the Egyptian economy should reduce pressures on headline and core inflation; and a reversal of net balance of payments inflows should tighten bank liquidity and increase the effectiveness of central bank policy interest rates. Our assessment is that the recent fall in inflation will continue, with the rate likely to decline to 12-14% by mid-2009 and further to 8-10% by mid-2010.

7. The balance of payments has weakened and will remain vulnerable until the international economy improves. Though exports, remittances and receipts from tourism and the Suez Canal have remained strong, a surge in imports because of buoyant domestic demand and trade liberalization all but eliminated the current account surplus by mid-2008; and the sharp reversal of portfolio flows during August-October 2008 put pressure on central bank reserve assets and the exchange rate. Looking ahead, the external current account deficit seems set to widen through 2009/10 as exports decline sharply; and while still high by historical standards, FDI inflows are unlikely to be sufficient to prevent a moderate decline in central bank net international reserves. Moreover, there is the risk of further capital outflows in the near term given the ongoing turbulence in the global financial markets.

8. The central government finances have continued to improve notwithstanding a much more difficult international situation than envisaged at the time of the last Article IV consultation. The deficit outturn for 2007/08 of 6.8% of GDP was better than budgeted, despite pressures from sharply increased subsidies, and the authorities judge that the deficit could narrow further to just less than 6% of GDP in 2008/09, reflecting savings on subsidies because of import price declines and planned measures to boost revenues. While such an adjustment would not be quite as fast as that envisaged under the medium-term consolidation plan, it suggests that the targeted deficit of 3% of GDP by 2010/11 would remain feasible provided planned reforms are put in place, most particularly the introduction of the VAT later this fiscal year. However, a somewhat more gradual consolidation path now looks to be in order given the projected economic slowdown.

9. The financial sector, so far, has escaped the ravages of the international crisis, reflecting the strengthening of balance sheets under the banking reform program, improved banking supervision, conservative practices with respect to funding, investments, and lending, and the recent statement by the Central Bank that it guaranteed the deposits of all banks. The deposit base has been stable and there has been no interruption to the flow of credit to the private sector. As domestic liquidity conditions tighten somewhat in response to portfolio outflows and increased purchases of government securities (as banks take up the slack left by foreign investors), some repatriation of banks' overseas assets seems likely, which would give some relief to the balance of payments.

The Scope for Counter-Cyclical Policies

10. The recent economic reforms have given the authorities some room for maneuver to undertake counter-cyclical monetary and fiscal policies to support growth and employment in the event that a slowdown in growth materializes. Nonetheless, undertaking such policies is likely to be fraught with risk given the difficulties in assessing potential output in an economy undergoing significant structural change and the uncertainties as to the timing of the recovery of the international economy. Moreover, there are considerable uncertainties regarding the depth and duration of the recent reversal of capital flows. With these caveats in mind, our assessment is that the projected slowdown in GDP growth is likely to take output below its potential, which would leave some scope for a modest policy stimulus to assist the economy through 2009, when international developments should be more favorable.

11. There should be room for a fiscal stimulus of about ½% of GDP in 2008/09, which could be achieved by foregoing the additional adjustment projected on present policies and keeping the fiscal deficit broadly unchanged from 2007/08. The weak public infrastructure base and the contribution that such expenditures could make to increasing potential

output, suggest that the stimulus should emphasize the acceleration of existing infrastructure spending plans, while avoiding increases in recurrent expenditure. A stimulus of this magnitude would be consistent with only a modest alteration to the authorities' proposed medium-term fiscal consolidation path, raising the planned fiscal deficit by about ½% through 2010/11, and with uninterrupted declines in the debt-to-GDP ratio. A revised adjustment path, even of this limited magnitude, is not without risk given the still high levels of the fiscal deficit and public debt, the fact that much public debt is of a short-maturity, and the loss for the present of a foreign investor base. However, it is a risk that seems worth taking given the added policy credibility due to the successes under the reform program and the progress with fiscal consolidation.

12. Judging the timing of a monetary stimulus is complicated by the risk that a cut in interest rates could accentuate pressures on central bank reserves and the exchange rate. With the initial impact of interest rate cuts much more likely to be on the exchange rate rather than on the demand for credit, there would appear to be room to keep policy rates unchanged until there are clear signs that pressure on the balance of payments has stabilized.

13. There are particular challenges for managing the exchange rate at a time of international crisis, when the balance of payments could be weak for an extended period, and when the exchange rate and reserves already have been under some pressure. These uncertainties suggest that the balance between reserve losses and exchange rate depreciation to meet any of these pressures should give greater emphasis to allowing more exchange rate flexibility; this could also bring some relief to the export sector.

14. Fortunately, with the economy yet to show clear signs of slowdown there would appear to be some time to balance the many risks and to calibrate an appropriately cautious policy response.

Banking Sector Stability

15. There are reasons to be optimistic that financial intermediation will continue largely unimpeded by the international crisis. There is little bank dependence on foreign credit lines; loan-to-deposit ratios are low; banks have little exposure to fluctuations in the prices of equities and other investments; there are virtually no structured credit and derivative products; foreign currency loans are mainly funded from domestic foreign currency deposits and made to entities with foreign currency revenues; and there are strict limits on mortgage lending.

16. The 2007 FSAP update mission concluded that the largest banks were resilient to moderate changes in the exchange rate, that most banks could withstand moderate changes in interest rates and shock to deposits. The main vulnerability would appear to be to a worsening in loan quality in the event of a prolonged slowdown in the economy or deterioration in lending practices, which seems unlikely at present. Nonetheless, the severity of the crisis underscores the urgency for the central bank to continue the good progress with the banking supervision reform agenda, including with respect to strengthening banks' risk management systems, implementing risk-based supervision and improving the collection and analysis of banking and financial sector indicators.

Maintaining the Reform Momentum

17. That Egypt, so far, has withstood the international crisis better than many other economies, and the fact that it has some room for maneuver to protect output and employment, is in large part because of the achievements under the reform program. This underscores the need to maintain the momentum of reform.

18. The emphasis should be on reforms that support domestic demand in the more difficult international climate, ensure that Egypt is well placed to take advantage of the eventual recovery in the international economy, and that would increase further the authorities' ability to respond to economic shocks. Though there is a broad agenda, the reforms with the quickest pay-off in these respects are likely to be those that restructure the public finances to support fiscal consolidation, and support private investment, including by continuing to attract FDI. For example:

• Early introduction of the VAT, which has the best prospect of yielding the additional revenues needed to improve the public finances and to finance longer-term fiscal structural reforms.

• Subsidy reform, including through better targeting, and the introduction of automatic adjustment mechanisms for domestic administered prices.

• Strengthening cash-based social programs for more effective protection of the most vulnerable groups, particularly in the context of subsidy reform.

• Accelerating preparations for the privatization of state entities to be able to take early advantage of the recovery in the international economy.

19. The need to create greater room for maneuver with fiscal policy also underscores the need for the planned health and social security reforms to be properly costed and sequenced to be consistent with the medium-term fiscal consolidation path.

20. Finally, though there have been improvements in the timeliness, coverage, and reporting of economic and financial statistics, weakness in these areas continue to constrain informed macroeconomic policymaking and surveillance.

21. Our discussions with the Egyptian authorities have been open, frank and stimulating, and we thank them for again providing such generous hospitality to the mission. (IMF06.12)

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11.9 EGYPT: Privatization Initiative Raises Questions

The Carnegie Arab Reform Bulletin reported that Egyptian Minister of Investment Mahmoud Mohieldin and National Democratic Party (NDP) Vice Chairman Gamal Mubarak announced on November 10 a proposal to adopt “voucher privatization” or “mass privatization” of 86 public companies out of a total of 153 slated for privatization. Under the proposed scheme, the government would distribute shares to some 40 million

Egyptians aged 21 years and above, thus entitling them to share in the operating income of the enterprises. The Ministry of Investment will assess the face value of the shares. The government has prepared a draft law on the management of public assets that provides for voucher privatization, and will halt the current privatization program until parliament acts on the bill.

Public sector dominance in Egypt is rooted in the post-independence Arab socialist period that left virtually all of the economies with a statist model of development. Playing the role of employer of first resort, state-owned enterprises (SOEs) emerged as a source of rapid employment expansion, motivated by with the need to generate support for the government. The case of Egypt is extreme, with the government promising every university graduate a job in the public sector from the early 1960s until the late 1980s. By the 1980s, the poorly performing state-owned enterprises (SOEs), which made up some 40% of GDP, crippled the economy.

Privatization first appeared on the policy agenda in 1991, when the IMF imposed it on Egypt as a standard feature of the conditionality attached to structural adjustment loans and economic liberalization programs. Politically, privatization was difficult to accept, as it threatened the ruling elite's desired image as the guardian of the national interest. Forced to restructure the SOEs, the government resorted to various privatization techniques: 26% of companies were privatized through sale to an Employee Shareholder's Association, 28% through shares offered on the stock market, 24% by means of liquidation and asset sales, and 22% through sales to anchor investors.

After eighteen years of conventional privatization, the new NDP proposal raises questions about motives behind this highly publicized shift. Senior government officials explained that the government has been developing the scheme for three years as part of achieving President Hosni Mubarak's vision of the need for “greater involvement of the people in managing public assets.” In an interview with al-Ahram Weekly on November 13, NDP member Sabri al-Shabrawi (reportedly the brains behind the new proposal), said that “it is about time the Egyptians got back part of what is rightfully theirs. This is what private ownership should be about, not the concentration of wealth in the hands of a few.” Such statements suggest that the initiative is part of an effort to show that the economic reforms championed by possible presidential successor Gamal Mubarak will benefit all Egyptians rather than only the business tycoons who are known to be his close associates.

The stated objectives of the NDP's new privatization scheme are fraught with serious theoretical and practical shortcomings. First, the scheme reflects a rudimentary understanding of the concept of ownership and state, two concepts central to this issue, and of the interaction between public and private enterprises. At the structural level, the evaluation of hundreds of privatization initiatives has led to a consensus in the literature that ownership does not matter. Privatization (or more specifically, successful privatization initiatives) is not about the transfer of assets from the public to the private sphere. The transfer of property rights from the state to the private sector creates better incentives for efficiency if, and only if, this transfer is secured in parallel with an increase in competition and regulation of the economic system. The latter cannot be achieved without well-established institutions that prevent the creation of private monopolies. Hence, a “share in ownership” will give nothing to Egyptian citizens and will not achieve the announced objective of a more even distribution of wealth.

On the practical level, it is entirely unclear how Egyptians would receive profits from these companies. The mechanism for the distribution of shares and profits overlooks the deficient institutional settings of the country and the state of public service and bureaucracies. As one third of the eligible citizens are illiterate, the existing conditions serve as an easy gateway for the rise of opportunistic businessmen. How exactly forty million Egyptians would engage in the management of the privatized firms remains a mystery.

Among the troubling aspects of the initiative is that Egyptian officials show no signs so far of having learned from the mistakes Eastern Europeans made in the 1990s. Mass privatization in Eastern Europe did not lead to an even distribution of private wealth but to a greater concentration of wealth in the hands of black market businessmen and former Communist officials. When auctions were held, not only were prices low, but the buyers were confined to a small group, leading to the rise of oligarchs who have stripped down productive capacity, divested assets, and often exported the profits abroad.

This is not to say that mass privatization did not appeal – politically - in Eastern Europe. Privatization in Czechoslovakia received significant public support, leading to the election of Vaclav Klaus, the architect of its economic transformation, as prime minister of the Czech Republic in 1992. In Russia, President Yeltsin devoted his major speech on the first anniversary of the failed communist coup in 1992 to the announcement of voucher privatization. In short, the politics of Eastern Europe demanded mass privatization.

The current social unrest in Egypt, which has taken the form of labor and other protests motivated by rising poverty and a widening income distribution gap, points in the same direction: the current politics of Egypt demands mass privatization. With the diminishing welfare role of the state, the Egyptian government seeks to reclaim its role as guardian of public interest, a role increasingly challenged by protest movements and opposition parties. In order to appear somewhat responsive, the government has begun a dialogue with selected opposition parties and promised that the new privatization scheme will be subject to at least a year of parliamentary and public debate. If past experience is any guide, however, such debates will have little impact on the ultimate fate of the new privatization plan.

Ibrahim Saif is a resident scholar and Farah Choucair is a research assistant at the Carnegie Middle East Center in Beirut. (CARB12/2008)

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11.10 EGYPT: Risky Waters

As negotiations continue for the ransom of the Saudi-owned supertanker Sirius Star carrying millions worth of crude oil, the Oxford Business Group highlighted Egypt's intention to fight Somali pirates. Pirates have seized about 40 vessels this year, mainly in the Gulf of Aden, which has put increasing pressure on shipping companies to avoid the region and its shortcut in East-West travel, Egypt's Suez Canal. Currently, about 8% of world trade passes through the canal and the man-made waterway accounts for Egypt's third-highest sources of foreign currency, after tourism and remittances from nationals working overseas.

The financial crisis and oil prices below $50 a barrel are beginning to affect Egypt's projected Gross Domestic Product (GDP) growth, with Investment Minister Mahmoud Mohieldin deeming a 5 to 6% growth rate for the year - a significant drop from the past year's 7.2% - "very good".

In this climate, piracy threatens what has been a relatively secure source of income for the past century and a half. The Suez Canal Authority's (SCA) revenue hit $2.6bn in the first six months of 2008, which is $500m more than was registered in the same period for 2007 and the number of vessels passing through the water way rose from 9,800 to 10,497 year-on-year. Total revenue for 2007 was $4.6bn compared to $3.9bn in 2006, partly because of increased transit rates. The SCA raised fees an average of 7.1% in March of 2008. Still, the increased fees have not affected traffic, particularly since the summer's high oil prices meant that exporters and shipping companies wanted to reduce fuel consumption and delivery times.

While the fees may not have led to a decrease in business, piracy threatens the Suez Canal's dominant position as a main transit route. In the wake of the recent spate of hijacking, some shipping companies are avoiding the canal. Diverting vessels around the Cape of Good Hope extends the voyage by two to three weeks but at least two major companies have decided that the extra cost is worth the reduced risk. Denmark's AP Moller-Maersk, the largest European shipping firm, has ordered its slower ships to take the southern route. Odfjell, the Norwegian shipping company, which operates a fleet of more than 90 tankers, is staying away from the Gulf of Aden entirely. Norway's Frontline, which carries much of the Middle East's oil to world markets, has not made an official announcement, but a spokesman said that the company was "definitely considering" re-routing its tankers.

Dropping shipping rates, which have seen dry bulk shipping collapse since summer has reduced the cost of transporting goods by dry bulk carrier by some 90% to about $15,000 a day from $150,000, are making it easier for companies to cover the cost of the extended route.

This news comes as Egypt is working to bolster its status as a centre for Mediterranean basin trans-shipment and cargo handling. The Suez Canal Container Terminal (SCCT), the leading terminal serving the canal, which holds 20% of the market share in the Mediterranean, is expanding its facilities at East Port Said. "The expansion of the terminal will cost around $490m," Jens Flow, the SCCT's managing director, told OBG. It will double its total size by its projected completion in 2010. The terminal's present capacity is 1.5m TEUs per annum. Sokhna Port, located at the southern entrance of the Suez Canal, is also expanding, adding another five basins to its present capacity by 2020, allowing it to handle 4m TEUs of containers by that date.

Given the Suez's sizable contributions to Egypt's GDP and recent investments, the government is determined to take steps to curb piracy. Diplomats from Red Sea nations Egypt, Saudi Arabia, Jordan, Sudan, Yemen and the Transitional Federal Government of Somali met in Cairo on November 20 to discuss the situation. Although no concrete decisions were made, various measures were proposed, including setting up a piracy monitoring centre, joint maneuvers by Arab navies and warning systems.

Despite these initial proposals, Hossam Zaki, a spokesman for the Egyptian Foreign Ministry, emphasized that the Red Sea countries will not be able solve a problem that exists outside the Red Sea. Piracy has flourished in Somalia as a result of the civil war that began in the late 1980s. Amid the turmoil, which has led to the collapse of public institutions, the pirate economy is thriving.

"To really solve this problem, the international community must search for stability in Somalia as well as economic and political development," said Nabil Abdel Fattah, assistant director of Egypt's Al Ahram Center for Political and Strategic Studies. Jean Ping, the African Union's top diplomat, said that UN peacekeepers would help prevent the fighting that is feeding the growth of piracy, but many countries are not waiting for long-term structural changes to be implemented and are taking action to protect ships directly in danger.

The US, India, Russia and European nations already have naval forces patrolling near the Gulf of Aden and on November 29, Moufid Shehab, Egypt's Minister of State for Legal and Parliamentary Affairs, announced that Egypt was willing to intervene militarily, alone or as part of an international force. Naval experts reckon that the Egyptian navy has enough suitable ships to make an effective contribution to an anti-piracy operation. (OBG03.12)

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11.11 LIBYA: Qaddafi's Old Theories Facing New Realities

An enormous gap has long existed between the ideas, beliefs and myths that constituted Libyan leader Muammar al-Qaddafi's ideology and the respective realities that they purported to explain. The depth and breadth of the gap expanded over time, especially in periods of reform, as Qaddafi loyalists sought to reconcile outdated theoretical concepts with incompatible new policies. As the regime has moved toward a more open, market economy, for example, regime spokesmen rationalized privatization, clearly outlawed in The Green Book, as the “extension of popular ownership.” Qaddafi's recent proposal to dismantle most of the Libyan government has strained the tenuous connection between theory and reality to the breaking point - and has provoked debate inside the country that might point to a new style of decision making.

From the outset of his 1969 revolution, Qaddafi employed revolutionary ideology (expressed first through the “Third Universal Theory” and later in the three slender volumes of The Green Book) as both a drive and a tool. It was a drive in that it dominated the thinking and actions of the Libyan leader and his most devoted followers. It was a tool in the sense that he and his disciples used it to generate obedience and support among the general public. Over the decades, central elements of Qaddafi's early ideological context have changed dramatically, but the Libyan leader continues to articulate and defend the anachronistic theories found in The Green Book. His ability to use ideology as a tool to generate popular support for revolutionary policies, however, has ended for all practical purposes.

Still Right after All These Years

In recent months, Qaddafi's efforts to reconcile the present with the past - in reality an attempt to justify four decades of mismanagement - have reached new heights. Speaking from his tent in Kiev during an official visit to the Ukraine, Qaddafi in early November suggested that Western attempts to deal with the current global financial crisis were nothing more than an “under the counter” attempt to steal ideas he had first expressed three decades earlier in The Solution of the Economic Problem “Socialism” (1978), part two of The Green Book. About the same time, he appeared in a white safari suit emblazoned with a map of Africa and said that he had foretold recent events, especially Barack Obama's election to the U.S. presidency, almost three decades ago in The Social Basis of the Third Universal Theory (1979), part three of The Green Book. In the brief excerpt from The Green Book he referenced, he suggested that Africans one day would prevail in the world.

Qaddafi's Newest Idea

Dissatisfied with the reforms introduced over the last six to eight years, Qaddafi, in a September 1 speech marking the anniversary of the 1969 coup d'état that brought him to power, promised to enact broad new economic and political reforms that would dismantle most government ministries by the beginning of 2009. Charging the ministries were centers of corruption, graft, and mismanagement, he also promised to distribute directly to the Libyan people the petrodollars the ministries controlled. The speech was vintage Qaddafi in that he has often tried to escape public censure for unsuccessful policies, such as the slow and uncertain pace of reforms, by reshuffling the country's leadership and blaming them for policy failures.

When Qaddafi continued to press for a massive reorganization of the government and a redistribution of public resources, his plan came under public criticism, something new in Libya where any criticism of the leader has traditionally been a fast track to jail or worse. In mid-November, television viewers in Libya experienced a rare event, a public debate between Qaddafi and senior government officials in which the latter challenged the leader's proposal. Farhat Omar Bin Guidara, governor of the central bank, correctly suggested that the distribution of massive amounts of money directly to citizens would fuel inflation, devalue the Libyan dinar and create a balance of payments deficit. In turn, al-Baghdadi Ali al-Mahmudi, Secretary of the General People's Committee (the Libyan equivalent of prime minister), championed an alternative approach in which citizens would be given shares in banks, manufacturing plants, and telecommunications companies through portfolios managed by financial institutions.

If implemented, Qaddafi's plan would clearly be a recipe for economic disorder, something he admitted himself when he warned that the early years of the plan would be chaotic until society learned to manage its own affairs. Although he showed no signs of compromise during the televised debate, arguing that government officials opposed his plan in order to protect their privileges, his approach again was vintage Qaddafi. In the past, the Libyan leader has often retreated from unsound or unpopular proposals by distancing himself from them, suggesting any reconsideration only reflected the strength of the Libyan system of direct democracy. In so doing, he has often succeeded in turning a potential setback into a political gain. The televised debate appeared to set the stage for a similar Qaddafi volte-face. At the same time, it also exposed the real limits of Qaddafi's idiosyncratic, personalistic ideology as a mobilizing tool in modern-day Libya.

Change of a Different Sort?

What is encouraging about the present policy debate, when combined with other recent developments, is the possibility that a different form of decision-making may be emerging in Libya. In the past, Qaddafi and a small coterie of advisers made all important socioeconomic and political decisions. With economic reform outside the oil and gas industry moving at a snail's pace and political reform not moving at all, there is mounting evidence that an increasing number of Libyans inside and outside government have come to reject old style, top-down decision-making. In an August 2008 address to a youth rally in Sebha, Saif al-Islam al-Qaddafi, Qaddafi's eldest son by his second wife and a possible successor, called for a strong civil society and reform of the Libyan political system. In early November 2008, anti-regime demonstrations broke out in Kufrah and Benghazi, and a female caller to a radio talk show criticized both Muammar al-Qaddafi and Saif al-Islam al-Qaddafi on the air, a first in this tightly controlled state. In mid-November 2008, Saif al-Islam al-Qaddafi said that he expected a constitution providing for democratic elections would be adopted before September 1, 2009, the fortieth anniversary of the revolution that brought his father to power. While he had mentioned this possibility before, this was the first time Saif added a target date for a constitution. The televised debate between Qaddafi and government bureaucrats, when coupled with these events, suggest technocrats and common citizens alike increasingly favor a more open decision-making process. If that proves to be the case, socioeconomic and political reform may yet come to Libya in spite of, rather than because of, Libyan leader Qaddafi.

Ronald Bruce St John, an independent scholar, is author of Libya: From Colony to Independence (2008), Historical Dictionary of Libya (2006, 1998, 1991), Libya and the United States: Two Centuries of Strife (2002), and Qaddafi's World Design: Libyan Foreign Policy, 1969-1987 (1987). (CARB12/2008)

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11.12 ALGERIA: Pharmaceuticals & Healthcare Industry for Q4/2008

Research and Markets (http://www.researchandmarkets.com) has announced the addition of the "Algeria Pharmaceuticals and Healthcare Report Q4 2008" report to their offering. Algeria Pharmaceuticals and Healthcare Report provides independent forecasts and competitive intelligence on Algeria's pharmaceuticals and healthcare industry.

Algeria remains a key market in Africa, despite dropping to equal 12th place with Nigeria. It is the second-largest African country by territory, and is modernizing its healthcare system through oil and gas revenues, which have risen considerably in recent years. Despite this increase in revenues the standard of healthcare provision across the country is uneven. The main attractions of the Algerian market are its relatively large and young population (Algeria's population is in excess of 34million), its high dependence on imported medicines and steady forecast growth are key attractions.

BMI forecasts that the value of the Algerian market will be$5.39bn. Generics will continue to represent the bulk of consumption in terms of volumes. This is especially likely since the Ministry of Health and Population has implemented measures that mean that as a condition of receiving an import license, medicine importers must pledge that 45% of their imports will be generics. However, with aims for World Trade Organization (WTO) accession, it is likely that conditions for multinationals will improve and gradually result in the further erosion of their market value share by patented drugs. Algeria was been included in BMI's Business Environment Ranking table for Q308 for the first time. It shares 12th place with Nigeria. Algeria is found above other African markets in the table, namely Kenya and Zimbabwe; however, it is far behind the continent's most developed market South Africa. Algeria's score for risks to potential returns is negatively impacted by the government's strong pro-generics stance and shortcomings of the country's intellectual property rights (IPR) regime.

The country's excessive red tape and corruption are also viewed with concern, as are certain macroeconomic indicators. On a positive note, the forecast pharmaceutical value growth and rising numbers of urban dwellers are factors in favor of local investment, as is the fact that the country is making progress towards WTO membership. Pharmaceutical market growth over the next five years will be stimulated by the continuation of the$2bn healthcare modernization 2005-2009 program, which envisages the building of numerous hospitals and clinics. Authorities are aiming to improve healthcare access. Adequate provision of health services is a challenging proposition, given the vast inhospitable areas of the country. The World Bank has warned that projects should be implemented gradually and that the government should return to the viable level of spending for the longer term.

Illustrating the above situation, local press in October 2007 revealed that French pharmaceutical major Sanofi-Aventis is considering creating a local manufacturing facility in Algeria, which would be engaged in the production of generic medicines. (R&M27.11)

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11.13 TUNISIA: National Solidarity Fund as an Alternative Model

November 2008 marks 21 years of rule under President Zine al-Abidine Bin Ali. The last fifteen years of this period are remarkable for the progress Tunisia has achieved in poverty alleviation and state-society synergy through the country's impressive National Solidarity Fund or Fonds de Solidarite Nationale (FNS), also known as “Caisse 26-26” (26-26 Fund). The FNS is Tunisia's “oil.” Government statistics indicate a halving of the country's poverty rate from over 10% in the mid-1980s to less than 5% at the turn of the millennium.

Though often criticized for clinging to the presidency for life (especially after declaring his candidacy for a fifth term in the 2009 elections), Bin Ali boasts of creating a deeply institutionalized culture of solidarity and self-help. Indeed, the success of the FNS is proving infectious. Several neighboring North African and sub-Saharan countries are adopting it as a model, through which they are seeking to replicate Tunisia's success in poverty alleviation.

There are quantitative and qualitative aspects to the FNS as an instrument of statecraft in the hands of the Tunisian ruling elite and under the aegis of the ruling Constitutional Democratic Rally (RCD). Quantitatively, the statistics produced by the state and the RCD to corroborate the FNS's success story are impressive. By 2004 the FNS had funded projects for eradication of so-called “shadow zones” (slums) in more than 1760 areas across the country. These interventions, according again to state statistics, benefited nearly a quarter of a million families or 1.2 million inhabitants at a cost of more than 750 million Tunisian dinars (about $550 million). The improvement of living conditions of the needy and creation of affordable housing are central tenets of the FNS. A large share of the monies raised for the FNS is allocated to repair and improve living conditions as well as build new houses. Some 30,000 housing units had been built for the benefit of the poor by 2004, not including houses repaired, electrified or equipped with sanitary amenities or drinkable water.

The FNS's reach as an institutionalized charity is being continuously diversified. The collection and distribution of used primary and secondary school books is an annual event to which nearly all Tunisian households contribute. In 2008 nearly a quarter million books were donated, sparing thousands of households' expenses that come with the new school year. The project serves also as a recycling device that is environmentally friendly. Another FNS activity has been the qawafil (caravans) in which special buses take all kinds of goods and services to remote or isolated regions, including border towns and villages. These goods have included medical teams, internet services, clothes, toys, children's theatre and books, and even entertainers and clowns.

The FNS also mimics the Bangladeshi model of micro-credits, targeting primarily graduate employment and small entrepreneurs and business. Nearly 85,000 families have so far benefited from FNS intervention in the field of micro-credits for small business and entrepreneurs.

Working in tandem with the FNS is the Fonds National de L'Emploi (FNE) created in 1999. This has introduced specialization and a kind of division of labor in the domain of solidarity. Tunisia suffers from the same problems of youth and university graduate unemployment found throughout the Middle East and North Africa region. This FNE instrumentality relies on local know-how and resources to ensure that work done by the FNS in terms of poverty alleviation is not undermined or defeated by swelling numbers of hittistes (North African term for the unemployed). More than half a million Tunisians have reportedly benefited from FNE funding to young entrepreneurs and graduates with agricultural, commercial, technical, or business training. Figures from 2003 show that of the 300,000 recipients of FNE funding since 1999 nearly 20,000 were university and college graduates. The synergy linking the FNS, FNE, and the

BTS generated 94,000 jobs between 1999 and 2003.

Most Tunisians dip into their pockets to donate money to the FNS. In fact, it is no exaggeration to say that an ethos of solidarity has been institutionalized in the whole country. Donation to the FNS is quasi mandatory and most wage earners set aside a few dinars from their monthly salary for the purpose. Donations are paid to the Banque Tunisienne de Solidarite (BTS -Tunisian Solidarity Bank). The number of donors jumped from 180,000 in December 1994 to more than two million nine years later. In Tunisia, December 8 is the National Day of Solidarity, an occasion for intensive fund-raising activities and donation involving the whole country.

Qualitatively, solidaristic policies and attendant institutions and programs have empowered Tunisia to rely on local resources to remedy problems of inequality, poverty and unemployment. For a country that fiercely guards its sovereignty, Tunisia has succeeded through these various solidarity schemes to escape the political conditionality of global aid donors at a time when democracy promotion has risen on the global agenda of wealthy states.

In addition to alleviating poverty, the NSF has also served domestic political purposes by borrowing a leaf from the Islamists' book. Tunisia's anti-Islamist leadership has replicated the social welfare programs and activities that are the exclusive bastion of Islamist organizations in Palestine, Lebanon, Egypt, Jordan, and in Algeria before 1992. Bin Ali and the ruling RCD are mindful of the risk of neglecting social welfare, which would play into the hands of rival centers of power, especially Islamists who are adept at political organization and mobilization through charity and social welfare networking. Thus Bin Ali legalized and institutionalized solidarity, making it yield results that have been possible due to management of this domain and to mechanisms set in place to minimize corruption. Also, by attempting to level the socio-economic playing field through institutionalized charity, Bin Ali's aim is to minimize the number of Tunisians who could be susceptible to radicalization.

One further benefit of this approach is possible. The potential for applying state-society synergy and partnership in the arena of socio-economic solidarity to future political liberalization is tremendous. Credit for the success of solidaristic activities in Tunisia is also due to Tunisia's society, which has been a willing and active partner with the state in the enactment of national solidarity. If this partnership spills over into political participation and institution-building, Tunisia could, in the long run, replicate the FNS and FNE's success stories in the realm of democratization.

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11.14 MOROCCO: Modern Politics or the Politics of Modernity?

Since the creation of the Movement of All Democrats earlier this year, many observers knew it would be just a matter of time before former Deputy Interior Minister and newly elected MP Fouad Ali El Himma would turn his association into a political party. Shortly after forming parliamentary coalitions in both the upper and lower houses, the Party for

Authenticity and Modernity (PAM) was born. Although the PAM still lacks a coherent ideology, it does have two explicit policy goals: to fulfill the king's desire to bring about a (much needed) rationalization of the party landscape, and to stand up to the moderate Islamist Party of Justice and Development (PJD).

While it is too early to predict the PAM's long-term impact on the dynamics of Moroccan politics, its initial maneuvers reveal a reinforcement of embedded elite structures rather than any sort of renewal or change. From the outset, El Himma aggressively pursued alliances with the Popular Movement (MP), Constitutional Union (UC), and National Rally of Independents (RNI). The PAM merged recently with RNI to form the largest coalition in Parliament—“Rally and Modernity”—and the MP and UC are expected to follow suit. El Himma is relying on the three parties most known for lacking a clear message and being nothing more than a collection of pro-palace elites. Representatives from these parties are primarily rural notables and urban elites who gain parliamentary seats due to their patronage networks. They have little to no contact with their constituents and typically move from party to party.

The fact that El Himma has been able to do so much so quickly is a testament to the fact that power and personality - and not formal institutions - remain the most effective means of accomplishing things in Morocco. As a former classmate and close friend of the king, El Himma's unfettered access to Muhammad VI, combined with his carefully crafted charisma, have endowed him with magnetic appeal. At one recent meeting, someone even presented him publicly with a message to transmit to His Majesty. Once he joined parliament, more than one hundred and twenty deputies came knocking at his door, prepared to leave their parties to join his coalition. The attraction of Morocco's political elite to El Himma's party appears to be about positioning themselves closer to the gravitational center of power rather than creating any actual recipe for development.

By choosing Authenticity and Modernity as his party's name, El Himma is following in the footsteps of late King Hassan II. Hassan used this same formula (al-asala wa al-mu'asara) to support a modernist project without disrupting traditions. It resulted in an appearance of incremental democratization in which modern political institutions were put into place, but then largely undermined by traditional practices such as royal arbitration. The PAM seems to constitute a similar manipulation of the meaning of modernity by elites in order to serve their own needs and create an image of progress.

In his efforts to build support for the PAM, El Himma routinely invokes the discourse of modernity; time after time, however, he resorts to practices of clientelism that contradict such language. Hassan Benaddi, the party's newly appointed Secretary General, justifies the creation of the PAM in that it gives Moroccans two choices for the future of their country: the first is a “democratic Morocco anchored in modernity” and the other is a “return to the golden age of the caliphate,” the course set out by the Islamists.

The irony, of course, is that the PJD is - by any definition -the most modern political party in Morocco. It is the most internally democratic party, the only one with a constituent relations program, and the only one that draws votes based on the party's message and not the candidates' family names. While most representatives view parliament as an old boys' club for renewing personal contacts, the PJD has enacted a parliamentary code of ethics to discipline its representatives. This requires them to draft amendments, propose new legislation, and ask oral questions. While many parliamentarians from other parties do not bother to show up most of the time, the PJD requires attendance at plenary and committee sessions.

In its portrayal of the PJD as retrograde and belonging to the past, the PAM is hoping that Moroccans will seek an alternative future and follow its discourse of modernity and progress. Yet in relying on proximity to the palace, local notables, the role of personality, and patron-client relations to build its base, it is only perpetuating traditional practices endemic to Moroccan political culture.

James Liddell is a research associate at the Washington-based Project on Middle East Democracy. (CARB12/2008)

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11.15 MORCCO: A Detailed Analysis of the Pharmaceuticals and Healthcare Report for Q4/2008

Research and Markets (http://www.researchandmarkets.com) has announced the addition of the "Morocco Pharmaceuticals and Healthcare Report Q4 2008" report to their offering. Morocco Pharmaceuticals and Healthcare Report provides independent forecasts and competitive intelligence on Morocco's pharmaceuticals and healthcare industry.

Based on estimates by pharmaceutical industry association AMIP, Morocco's drug market expenditure was around $1.2bn in 2007. Between 2008 and 2012 we forecast expenditure to grow by an average of 8.9% a year, reaching a value of $1.7bn by the end of 2012. Expected mild depreciation of the dinar against the US dollar over the forecast period should make US dollar returns marginally less attractive – drug market growth in US dollar terms should average 8.1% a year between 2008 and 2012.

Moroccans spent an average of just $37 per person on pharmaceuticals in 2007. Compulsory health insurance, which was launched in 2006, has allowed many Moroccans to meaningfully participate in the drug market for the first time, should go some way to remedying the country's low per capita drug expenditure. However, there is concern over the long-term financial viability of Morocco's social security schemes, leading to believe that, drug market expenditure cannot continue to exceed GDP growth indefinitely. Indeed, we forecast a peak in the share of GDP devoted to pharmaceutical expenditure in 2011.

In our Middle East and Africa Pharmaceutical Business Environment Rankings, Morocco is placed in equal eighth position out of 16 markets surveyed. The pharmaceutical operating environment is rated on a par with Oman, demonstrating that Morocco has a mid-sized pharmaceutical market with a high growth forecast and moderate country and pharmaceutical industry-specific risk. Morocco is home to North Africa's largest pharmaceutical manufacturing industry. Both domestic drug makers and key multinationals operate local manufacturing operations. France's Sanofi-Aventis is the largest player by market share. However, well-developed local manufacturers such as Sothema also generate substantial sales. Pharmaceutical exports are surprisingly low given the country's manufacturing strength and strategic location. However, these are expected to grow on the back of strengthening trade ties with developed countries, as exemplified by the signing of a free trade agreement (FTA) with the US in 2004.

Morocco's pharmaceutical regulation is relatively well developed. Drug makers have reported few problems with the approvals process, which, at around 12 months for a new chemical entity (NCE), is swift by regional standards. The country's pricing system is less attractive – drug prices are controlled and a clear distinction is made between locally manufactured drugs and imports when the Director of Medicine and Pharmacy (DPM) sets prices. (R&M27.11)

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11.16 TURKEY: Report on the Food & Drink Industry for Q4 2008

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

The Turkish drinks sector has experienced a spate of considerable activity in recent months, as discussed in our recently published Turkey Food & Drink Report for Q408. As discussed in the report, some sub-sectors in the drinks industry, such as beer, are doing very well. In June 2008, Turkey's leading brewer Anadolu Efes reported impressive growth in its domestic beer sales, which grew by 23% in the first quarter of the year thanks to tighter government regulation of illegally produced drinks and a successful promotional campaign. According to a statement the company made to the Istanbul Stock Exchange, beer sales in Turkey rose to 1.7mn hl, as more Turks switch from drinking wine and spirits, including the national drink raki, to beer.

The government's concerted efforts to clamp down on the production and sale of bootleg drinks have also provided a significant boost to beer sales, while the country's thriving tourism industry also benefits the sector as a whole. Another potential driver behind future beer sales could be a new law that has just come into effect that will block the sales of alcoholic beverages and cigarettes outside of their original packaging. As this could potentially stop bars and restaurants selling drinks by the glass, this could have a major negative impact on the sale of wine and spirits, while bolstering beer sales.

The local raki industry is already showing signs of struggling, and in late July 2008 industry sources said raki consumption in Turkey dropped to 43mn liters in 2007, down from 46mn liters in 2006. This official drop in consumption can be linked to rising alcohol taxes, which has led to a thriving black market for alcoholic drinks in the country. Nevertheless, the news is not all grim, with many expecting that raki consumption has hit its low, with an upward trend expected for this year. Raki is considered Turkey's national drink, and many producers are now lobbying for the spirit to be protected against regular taxation. Many producers have looked to export markets as a means of overcoming the difficulties in the domestic alcoholic drinks sector. Cyprus is a major export market, as are European countries with large Turkish populations, while exports to the US are also growing.

Turning to the hot drinks sector, in August 2008 the key members of Turkey's tea industry announced their plans to establish a joint marketing company in an effort to improve their industry's reputation and productivity. The new joint marketing company, expected to have the participation of around 90 firms, will also look to regulate the market, and is hoping to establish a commodity exchange that is planned for 2009. A key goal of the organization will be to promote Turkish tea abroad, targeting Russia and Central Asian countries in particular. A major aim will be to deal with poor production quality, low prices and tea smuggling, all of which serve to damage the local industry. (R&M28.11)

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11.17 GREECE: Pharmaceuticals and Healthcare Report Q4/2008

Research and Markets (http://www.researchandmarkets.com) has announced the addition of the "Greece Pharmaceuticals and Healthcare Report Q4 2008" report to their offering. BMI's Greece Pharmaceuticals and Healthcare Report provides independent forecasts and competitive intelligence on Greece's pharmaceuticals and healthcare industry.

On the back of BMI's relatively modest pharmaceutical market growth forecast, Greece lost its pole position within our Business Environment Ranking for Q408, instead slipping to joint sixth, out of the 17 markets surveyed in the Central and Eastern Europe (CEE) region. While enjoying a relatively high per capita consumption of medicines, supported by stronger GDP levels than elsewhere in CEE, Greece is disadvantaged by low drug prices and the forecast falling of the overall value of its drug market. In the 2007-2012 period, the US dollar value of the market is expected to drop from$5.68bn to$5.46bn, although in local currency, the CAGR will be around 6%.

Nevertheless, the health of the Greek population continues to outperform that of its CEE peers. According to BMI's Burden of Disease Database (BoDD), the burden of disease in Greece is the most favorable across the CEE region. In 2008, Greece is forecast to lose 12,350 DALYs per 100,000 people, which puts the country 28th in global terms, ahead of Western European countries such as the UK and Finland. Globally, in 2030 BMI expects Greece to have dropped down the rankings slightly to 33rd, as the emerging economies of Middle Eastern countries such as Bahrain and Saudi Arabia afford better healthcare and lower their disease burdens, moving up the rankings.

In terms of pharmaceutical industry developments, the European Court of Justice (ECJ)'s final - yet somewhat ambiguous – ruling on the GlaxoSmithKline (GSK) case, which was passed in September 2008, throws the burden of responsibility for the matters of parallel trade onto national authorities. ECJ confirmed that GSK-imposed limits on wholesale orders constituted an abuse of dominant position, but that drug makers can still 'protect their own commercial interests through curbing supplies for orders deemed 'out of the ordinary'. Determining excessive levels of those orders is likely to be a tricky prospect for national authorities, especially considering the already substantial levels of ordering destined for parallel trade that takes place.

In the meantime, low drug prices in Greece have pushed domestic players to eye opportunities elsewhere in the region. To this end, in July 2008, Greek pharmaceutical company Alapis Holdings was reportedly in discussion to bid for a majority stake in Serbian drugmaker Galenika, which would not have to adhere to European Union (EU) pharmaceutical rules. Still, the figures recently published by the Greek General Secretariat of the National Statistical Service indicate that the sales of pharmaceuticals and cosmetics being sold from stores increased by 9.7% year-on-year in May 2008, above the increase in retail sales of pharmaceuticals and cosmetics from supermarkets as well as those from other stores not categorized as retail shops, illustrating the fact that the Greek drug market is not without prospects. (R&M28.11)

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- Israeli Shekel conversions done at a rate of NIS 4.00 = $1.00

- Turkish Lira conversions done at a rate of NTL 1.60 = $1.00

- Euro conversions done at a rate of € 1.00 = $1.25

- 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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