Fortnightly - January 07, 2009

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1: ISRAEL GOVERNMENT ACTIONS & STATEMENTS

1.1 Finance Ministry Approves $2.1 Million for Southern Israel

On 5 January, the Finance Ministry and the Interior Ministry announced that a $2.1m assistance package will be allocated to local authorities to improve emergency facilities in the South. This is in response to the Hamas onslaught of missiles, rockets and mortar shells launched against targets in Israel. The additional funds will be used by the Interior Ministry to strengthen fire and rescue facilities, equip shelters with mattresses, blankets and heaters, as well as for any additional expenses required by local authorities. The need for an assistance program was established after the Interior Minister and the ministry's director-general visited local authorities in the South and the Gaza Strip periphery last week. (JP06.01)

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1.2 Knesset Approves New Tax Breaks For Foreign Investors

The Knesset has passed the second and third readings to the taxation section of the government's economic stimulus plan. The aim of the new provisions is to encourage inward investment in Israel and the flow of funds to Israel from foreign companies under control of Israeli residents. For 2009, a temporary provision reduces the rate of taxation on a dividend distribution by a foreign company controlled by an Israeli company from 25% to 5%, as long as the dividend is used in Israel to pay salaries to an Israeli resident, to rent or buy property in Israel, and for other similar purposes. The aim is to encourage the immediate transfer of funds to Israel to help ease the credit squeeze and encourage economic activity.

A further provision is a tax exemption on interest on bonds listed for trading on the Tel Aviv Stock Exchange paid to an overseas resident. This is in order to encourage foreign investors to invest in Israeli corporate bonds. Similar exemptions are in force in developed countries such as France, the UK, Switzerland and the US. Foreign investors will enjoy an unconditional tax exemption on the sale of securities in Israel, again similarly to provisions in many other countries. The exemption will not apply to capital gains on the sale of securities of companies mainly engaged in real estate in Israel, or on gains attributable to a foreign resident's fixed enterprise in Israel. The Knesset also approved the extension for a further year of a 25% tax credit for residents of Sderot and the southern Negev. (Globes 29.12)

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2: ISRAEL MARKET & BUSINESS NEWS

2.1 MTS to Acquire the Telecom Expense Management Operations of AnchorPoint

MTS - Mer Telemanagement Solutions has signed a definitive agreement to acquire the telecom expense management business of AnchorPoint of Framingham, Massachusetts. Upon completion of the transaction MTS will integrate its telecommunication management and billing solutions with AnchorPoint's telecommunications expense management (TEM) solutions. Under the terms of the agreement, MTS will acquire all the assets of AnchorPoint and assume certain enumerated liabilities. The aggregate consideration will be 25% of MTS's outstanding shares on a post-transaction basis. The acquisition is expected to be completed on or before December 31, 2008. AnchorPoint will continue its operations as a division of MTS. Ra'anana's Mer Telemanagement Solutions (http://www.mtsint.com) is a worldwide provider of innovative solutions for comprehensive telecommunications expense management (TEM) used by enterprises, and for business support systems (BSS) used by information and telecommunication service providers. Since 1984, MTS Telecommunications' expense management solutions have been used by thousands of enterprises and organizations to ensure that their telecommunication services are acquired, provisioned and invoiced correctly. In addition, the MTS Application Suite has provided customers with a unified view of telecommunication usage, proactive budget control, personal call management, employee cost awareness and more. (MTS 23.12)

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2.2 Advanced Technology Acquisition Corp. to Acquire Bioness

Advanced Technology Acquisition Corp. (ATAC) has entered into a letter of intent to complete a business combination by means of a merger with Bioness, a Delaware corporation having significant business operations in Israel. Pursuant to the Company's Amended and Restated Certificate of Incorporation, the execution of the LOI affords the Company a six-month extension for completion of a business combination, until June 22, 2009. The LOI provides that, following execution of a definitive agreement, Bioness will commence a tender offer for the purchase of ATAC's outstanding warrants for four cents per warrant. The LOI further provides that, as a condition to the tender offer, 100% of the outstanding warrants will be tendered and not withdrawn. It is a condition to the commencement of the tender offer that, not later than one business day prior to the announcement by Bioness of the tender offer, all Founder Warrants and Unit Purchase Option will be canceled with the consent of the holders thereof. All warrants purchased in the tender offer will be terminated immediately following their purchase. Bioness' obligation to consummate the Merger is conditioned upon satisfaction of the foregoing conditions to the tender offer. All costs and expenses related to the tender offer will be paid by Bioness.

Ramat Gan's ATAC is a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination with a technology or technology-related business that has operations or facilities located in Israel, such as research and development, manufacturing or executive offices. California's Bioness (http://www.bionessinc.com) is a neuromodulation company marketing non-invasive medical devices and developing minimally-invasive implantable products intended to treat the tens of millions of individuals suffering from disabling conditions caused by various neurological events and conditions (such as stroke and multiple sclerosis), chronic pain and urological syndromes. Bioness' non-invasive technologies are used for central nervous system disorders and may provide such patients with increased levels of physical independence, productivity and symptom management. (ATAC 22.12)

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2.3 Dmatek Acquisition by Francisco Partners Valued at $77.6 Million

Dmatek has entered into a definitive merger agreement with an investor group led by Francisco Partners, whereby Dmatek was offered $77.6m. Certain leading current shareholders will remain shareholders by reinvesting with the new investor group which, in addition to Francisco Partners, includes Sequoia Capital Israel. The Board of Directors of Dmatek has unanimously approved the agreement and recommended that Dmatek shareholders vote in favor of the transaction. Already, independent shareholders not reinvesting with the investor group and representing 20.8% of the capital stock have signed irrevocable undertakings in support of the deal. The transaction, which is subject to shareholder approval, certain regulatory approvals and other customary closing conditions, is currently expected to close by the end of March 2009. A Circular to Shareholders will be dispatched as early as possible and contain full details of the proposed transaction and the Merger Agreement as well as convene an extraordinary general meeting at which the resolutions necessary to approve the transaction will be proposed. Upon the closing of the transaction, Dmatek's shares will be delisted from the London Stock Exchange.

Tel Aviv's Dmatek (http://www.dmatek.com) is a leading provider of remote people monitoring technologies. Current applications of the company's technology solutions are marketed by Dmatek's wholly owned subsidiaries – Elmo-Tech Ltd., and Pro-Tec Inc. which address the global law enforcement and corrections industry and HomeFree Systems, which operates in the emerging elderly monitoring market. Dmatek's systems are used by private operators and government agencies in over 25 countries worldwide. (Dmatek28.12)

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2.4 Frutarom Acquires the Business of UK Company Oxford

Frutarom Industries has signed an agreement to acquire the assets and business of the UK Company Oxford Chemicals for consideration of approximately $12m. The consideration will be paid in full in cash at completion. Completion of the transaction is expected to take place within the coming weeks. The acquisition will be financed through a long-term bank loan. Oxford's activity is highly synergetic with Frutarom's global Fine Ingredients Division, whose development laboratories and production facilities are located in the U.S., UK, Switzerland and Israel. The acquisition is expected to enhance the product offering of Frutarom's Fine Ingredients Division and its customer base around the world. Oxford has hundreds of customers, including leading multinational flavor and fragrance companies, with which Frutarom and Oxford have excellent long-term relationships. Frutarom intends to utilize the many cross-selling opportunities which arise from the acquisition by selling its products to Oxford's customers around the world as well as selling Oxford's products to Frutarom's existing customers, especially in markets where Oxford has not had any significant activities until now.

Haifa's Frutarom (http://www.frutarom.com) is a multinational company which operates in the global markets of flavors and fine ingredients. Frutarom has significant production and development centers in three continents and it markets its products to five continents and more than 5,000 customers in 120 countries. Frutarom's products are designated for the industries of food and beverage, flavor and fragrance, pharmaceuticals, nutraceuticals, health food and functional food, food supplements and cosmetics. (Frutarom 05.01)

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2.5 Tefron Announces a New Ticker Symbol

On 26 December, Tefron announced that the ticker symbol for its ordinary shares has been changed to TFRLF. The former symbol was TFR. The new ticker symbol follows the suspension of Tefron's ordinary shares from trading on the New York Stock Exchange. An application has been made for the ordinary shares to be quoted on the OTC Bulletin Board. There is no guarantee that the shares will be quoted on the OTCBB. Misgav's Tefron (http://www.tefron.com) manufactures boutique-quality everyday seamless intimate apparel, active-wear and swimwear sold throughout the world by such name-brand marketers as Victoria's Secret, Nike, Target, The Gap, J. C. Penney, lululemon athletica, Warnaco/Calvin Klein, Patagonia, Reebok, Swimwear Anywhere, Abercombie&Fitch and El Corte Englese, as well as other well known retailers and designer labels. The company's product line includes knitted briefs, bras, tank tops, boxers, leggings, crop, T-shirts, nightwear, bodysuits, swimwear, beach wear and active-wear. (Tefron 26.12)

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3: REGIONAL PRIVATE SECTOR NEWS

3.1 GCC Plastic Sector Still Going Strong

New investments in the GCC plastic industry are set to slow next year due to the global financial crisis, but constant innovation will still drive the market to grow by 25%, an industry watcher said. The plastics industry in the GCC has been growing at an average of 20% annually, with production reaching 2.3 million tonnes in 2007 compared to about 500,000 tonnes in 1990. Today, a sizeable 10.6% of the workforce in the GCC is employed in the plastics manufacturing sector. The sector's growth is attributed to constant consumer demand, as well as industry innovation and diversification. It has gone into aeronautics, automobiles and computers. (AB27.12)

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3.2 Turkey Raises Import Duty on Strip Mill Products

Steel Business Briefing reported that Turkey has increased import duties by up to 8% on coated and uncoated strip mill products with effect from January 1 2009. The move is seen as benefiting local producers, as well as exporting countries with which Turkey has a free trade agreement. For hot rolled coil the import duty is now 13%, up from the previous 5%; CRC goes up from 6% to 14%; pre-painted is 15%, up from the previous 12%; and for hot-dip galvanized the duty has been raised from 14% to 15%, it said. The HRC import duty for re-rollers is 5%, up from the previous 3%, the report added. Turkish producers and traders think the changes will be to the advantage of Erdemir and other local producers. According to Kayseri Metal Center (KMC), a Turkish steel service center and cold roller, Erdemir will be the star of 2009 in Turkish flats market. Turkish market players told Steel Business Briefing that countries like Egypt, Tunisia and Morocco, which have free trade agreements with Turkey, will boost their share of the Turkish import market. European mills are not expected to gain as their prices are uncompetitive and European supply is not sufficient for Turkey which imports about 7 million tonnes of strip products annually. Russia and Ukraine are among the largest suppliers, Turkish sources said. Traders who have cargoes on the way to Turkey are expected to suffer losses in the short term, sources added. (SSB03.01)

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4: ISRAEL MACRO-DEVELOPMENTS

4.1 Israel Stocks Rise as Hamas' Attacks Have No Effect

Investors in Israeli stocks are disregarding the Hamas attacks and Israeli response less than 60 kilometers (37 miles) away from the commercial center in Tel Aviv, helping the TA-25 index rebound from its worst year since 1983. The benchmark TA-25 index has climbed 7.4% since 27 December, when Israel started its response to the Hamas campaign in the Gaza Strip, tracking a rise in global equities. The Standard and Poor's 500 Index gained 6.8% in the same period. Israel's index added another 1% Sunday even as the government broadened its response by sending ground forces into Gaza. Stocks are advancing after the TA-25 tumbled 46% last year as the economy grew at its slowest pace since 2003. Investors now are more focused on the performance of global stocks than on Israel's military response. The shekel has climbed since the fighting began, gaining 1.3% against the dollar. Israeli government bonds have tumbled, with yields rising on 4 January by the most in more than a year, as the decline in U.S. Treasuries, a recent government offering and concerns that the widening offensive may impact the budget lowered demand for the notes. (Various06.01)

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4.2 Ben-Eliezer Allows IEC 4th Emergency Power Plant

Israel's Minister of National Infrastructures Ben-Eliezer will allow the Israel Electric Corporation to build a fourth power plant at Alon Tavor as part of the company's emergency plan. The decision blatantly contradicts the recent recommendation by the Public Utilities Authority (Electricity) to postpone construction of a fourth power plant because of the projected decline in electricity demand and the entry of private electricity producers into the market. The Public Utilities Authority advised a review of the decision in a few months. The fourth 375-megawatt power plant will cost $400-500 million to build. Some 250 megawatts is due to come on line in 2011 and an additional 125 megawatts in 2013. The Ministry of National Infrastructures said in response that the Public Utilities Authority believed that, even after private power producers enter the market, Israel's electricity reserves in 2010-11 will be 7.1%, substantially less that the ministry's threshold for a reliable electricity supply. In its opinion sent to the ministry, the Public Utilities Authority says that the effective reserve is higher, and could reach 18%. The ministry rejects the opinion, saying that the Public Utilities Authority failed to take into account a number of issues, including further delays in the entry of private power producers. (Globes 29.12)

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5: ARAB STATE & PAKISTANI DEVELOPMENTS

5.1 Lebanon Sees Construction On The Rise In 2008

According to Bank Audi's figures, Lebanon enjoyed a 31.4% increase in construction permits during the first 10 months 2008. This reflects an acceleration in construction activity and indeed, this year Lebanese contractors have been constantly launching new projects. The construction permits totaled 9,471,338 million square meters in the first 10 months of 2008, up by 31.4% relative to the same period of the previous year. During October 2008, new construction permits totaled 1,141,509 square meters, up by 37.1% as compared to the same month of 2007. This year-on-year increase continues the on-going upward trend that was prevailing in each of the first four months of 2008 and was temporarily interrupted in May 2008 as a result of the political deterioration, to be directly resumed in June. This means that as the financial crisis accentuated all over the globe during September and October 2008, Lebanon saw its construction activity reaching its pinnacle. It was also reported that the average rent for an office in Dubai is $80,000 a year while a company can get the same space for $40,000 or less in some parts of Beirut. (DS19.12)

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5.2 Lebanon Debt May Surge To $47 Billion

Lebanon's public debt last year is expected to have reached $47 billion, Finance Minister Chatah announced on 2 January. Lebanon's gross public debt stood at around $45.65 billion at the end of September last year. Chatah had said in September that debt would reach $49bn if privatization of two state-owned mobile phone companies did not go ahead. Chatah did not provide an estimate for this year's public debt. In December, the Lebanese government postponed the much-delayed privatization because of global market conditions. The proceeds were supposed to pay down some of Lebanon's massive public debt, which is equivalent to some 170% of gross domestic product. Chatah reiterated that Lebanon's robust banking sector remained relatively unexposed to the financial crisis but said that Lebanon's economy would be mostly affected by the adverse economic environment in the Persian Gulf region. Chatah said expectations for economic growth forecast this year would be between 3-4%, revised down from 5%. About a third of the Lebanese workforce is employed in Gulf states, including the UAE and Saudi Arabia which have been strongly affected by the financial crisis and a steep drop in oil prices. Some Lebanese have already started returning from the Gulf, laid off by employers who have been forced to slash jobs to deal with the financial crisis. (Various04.01)

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5.3 Iraq Tax Revenue Jumps 16% to $430 Million

Tax revenues in Iraq jumped 16% last year to around $430 million, but taxes still account for just a tiny fraction of government revenue in a nation almost entirely reliant on oil, the government said. Tax revenues from various sources totaled more than half a trillion Iraqi dinar, Public Tax Commission head Muhsin Abu Jaela said. That amounts to just over $15 a person, a puny tax take for a middle-income country. He said expectations for this year tax collection would be determined by not only internal production and monetary and economic conditions but also Iraq's security situation. After almost six years of war, violence has dropped sharply in Iraq, but homicide bombs and other attacks are still routine. The International Monetary Fund warned earlier this month that plunging oil prices pose a threat Iraq's economic outlook as the country struggles to rebuild and create jobs. Prices of oil, exports of which account for over 90% of government revenue, have tumbled from a high in July above $145 a barrel to under $38 a barrel yesterday. The government of Prime Minister Al Maliki has already slashed spending plans, and may have to do more. In comparison to oil, Iraqi tax income barely registers. Last year, according to the IMF, direct and indirect tax revenue represented just 1.1% of GDP. This year, that is expected to rise to 2%. Iraq's oil sector dwarfs other industry in Iraq, whose private sector was starved during years of sanctions and isolation under Saddam Hussein and which has been weakened even further during 2003. Poor tax collection is also a problem. Since 2003, most Iraqis have paid little tax at all. In the statement, Abu Jaela encouraged Iraqis to pay their taxes promptly and said tax evaders would be punished. (Reuters 01.01)

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5.4 Iraq Offers Up Giant Oilfields To Foreign Firms

On 30 December, Iraq opened up some of its most prized oil and gas fields to international firms that have been excluded for decades, part of new deals that could more than double its output within a few years. In a second bid round, following on from one earlier this year, Iraq has put forward 11 oil and gas fields, including super giants. Two of the oilfields - Majnoon and West Qurna Phase II - are classed as super giants and between them could produce 1.2 million barrels per day (bpd) when fully developed. Other fields include Halfaya, East Baghdad, Gharrafa, Qayara, Najmah, Badrah, Kifil/West Kifil/Mirjan and a group in Diyala province, as well as the Siba gas field in Basra province. The 11 fields could increase production by up to 2.5 million bpd within three to four years of the contracts being completed at the end of 2009. That increase is roughly equivalent to what Iraq produces today. Three of the fields are jointly owned with neighbors Iran and Kuwait. Developing them would require bilateral deals with those states, which were not opposed. In June, Iraq announced a first bidding round for long-term contracts for eight big oil and gas fields, which could add a total of 1.5 million barrels per day to the nation's output. The oil ministry is expected to announce the results of that round by the middle of next year. When all the new fields are fully operational, in theory within six years' time, Iraq's output could be more than 6 million bpd. Iraq has the world's third largest oil reserves, but its infrastructure has been shattered by decades of war and sanctions and it is in need of massive investment. Under the rule of Saddam Hussein, some foreign oil firms were on the brink of gaining access but potential deals never came to fruition. (Various30.12)

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5.5 First European Passenger Plane Lands in Iraq After 18 Years

The first passenger flight from Europe in 18 years landed at Baghdad airport on 2 January, when a Swedish charter aircraft touched down. The Nordic Leisure airliner brought in 150 people, most of them Iraqis, resuming air links between Iraq and Europe for the first time since the United Nations imposed sanctions on Iraq after Saddam Hussein's 1990 invasion of Kuwait. More international flights are expected shortly. On 30 December, Air France-KLM and Iraq's transport ministry signed a preliminary accord which will see Iraqi Airways taking off for European destinations and Baghdad airport being renovated. (Various04.01)

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5.6 GCC Leaders Sign Key Monetary Union Pact

On 30 December, Arab leaders from the Gulf Cooperation Council (GCC) signed a long-awaited monetary union deal but failed to decide on the contested location of the regional central bank, placing another hurdle before a project beset by obstacles for years. While Saudi Arabia, Kuwait, Qatar, the United Arab Emirates and Bahrain said they would stick to a 2010 monetary union target, the bloc's secretary-general conceded it would take about another six months before they agree on where to base a joint central bank. When Gulf leaders set a timetable for monetary union in 2001, they had envisioned drawing up the legislation for monetary union by 2005 and issuing single currency notes and coins by 2010. Various policymakers have said it would be virtually impossible to meet that deadline. The Secretary-General of the GCC, which also includes Oman, told a news conference after the summit that the 2010 deadline was still intact. GCC officials had said earlier this year they expected Gulf leaders to make the final call on the location at this summit. Saudi Arabia, the United Arab Emirates, Qatar and Bahrain are vying to host the bank.

A series of hurdles have the sent the single currency project off track in recent years; Oman decided in 2006 it would not join, just months before Kuwait severed its currency peg to a then-weak dollar in a bid to fight imported inflation. Gulf policymakers sought to bring the project back on track this year by finalizing the monetary union deal and a charter to govern the monetary council. Each member state must ratify the agreement before the region can open a monetary council, which would later be converted into a central bank much like the European Monetary Institute that preceded the European Central Bank. Kuwait's finance minister said Gulf oil producers would have until December 12 next year to enact the agreement. Some Gulf policymakers, including the UAE central bank governor, have said achieving a Gulf monetary union has become more urgent as the global financial crisis brings to an end a six-year economic boom that had been fuelled by high oil prices. Oil prices at about a quarter of their peak in July and a global credit crisis have put the brakes on expansion projects. Saudi Arabia and Oman are projecting budget deficits next year. (Various30.12)

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5.7 Qatar Economy Soars 63% in Q3 to $29.7 Billion

The Qatar Statistics Authority announced on 31 December that Qatar's economy expanded by 62.8% at current prices in Q3/08 to $29.74b on high energy prices. The gross domestic product for Qatar, the world's biggest exporter of liquefied natural gas, has been soaring as the Gulf state expands its oil and gas sector and ploughs money into infrastructure, construction and manufacturing. By the end of September, the economy had grown 12.3% compared with the second quarter, the data showed. Year-on-year GDP growth was spurred by an 80.8% jump in the mining and quarrying sector, which includes oil and gas, to QR68.43 billion. Qatar's construction sector expanded 19.9 in the third quarter, while the manufacturing sector advanced 68.1%. Qatar is expected to see the fastest real GDP growth next year at 9.5% as it continues to expand natural gas exports. (Various31.12)

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5.8 Construction to Start on Qatar-Bahrain Causeway

Construction of the world's longest marine causeway, which will link Bahrain and Qatar, is due to start in 2009, the Bahrain Economic Development Board (EDB) said on 3 January. Considered one the most important infrastructure projects in the region, the $3 billion project will take four years to complete and the bridge will consist of more than 40km of twin carriageway running across 22km of viaducts over the sea and 18km of embankments. Dubbed as the ‘Friendship Causeway', this is expected to reduce the current travelling time from to Qatar to Bahrain from four and half hours to just 30 minutes. The causeway will also provide a connection for future high-speed freight and passenger rail lines between the countries. There are also plans to extend the route to link Istanbul, Turkey and Muscat, Oman. (AB05.01)

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5.9 UAE Occupation Blacklist Announced In Visa Initiative

A list of 57 occupations has been put on a blacklist that bans expats from bringing their families to live with them in the UAE. The move is part of a Government initiative to reduce the number of people breaking visa laws. Among those who will be unable to bring family include: make-up artists, cooks, bakers, car washers, grave diggers, tailors, waiters and falcon trainers. A total of 25,313 visa violators and infiltrators have been caught since an amnesty period ended in Nov. 2007, the acting director of the Naturalization and Residency Department announced. Low-income employees were often not able to pay visa fees for their families, which turned them into illegal immigrants, he said. The authorities have also stepped up policing with a 24-hour, toll-free tip line to report absconders and illegal immigrants. Residents who overstay their residency visas are fined 25 dirhams for each day, while people who overstay other types of visas are fined 100 dirhams for each day. Those caught by authorities without a valid visa are deported immediately. A 50,000 dirham fine is imposed on employers who recruit foreigners without gaining work permits. (AB01.01)

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5.10 UAE's Q4 Construction Deals Fall By 85%

The value of construction contracts awarded in the UAE's fell by 85% in the fourth quarter compared to the same period last year. Contract awards worth $14.4 billion were made during Q4/08, down from $98.1 billion during the same period in 2007 as the global credit crisis rendered project financing a struggle, London-based weekly Middle East Economic Digest reported said on 31 January. Around $23.2 billion worth of projects have been put on hold, almost 10% of the $249.7 billion of projects under construction in the UAE. Projects hit by delays include Nakheel Properties' Palm Deira project in Dubai, Dubai Waterfront, Dubailand, and the Trump International Hotel & Tower. In total, $191.8 billion of contract awards were made in 2008, a 60% drop from the $482.5 billion of awards made in 2007. Oil prices at about a quarter of their peak in July and a global financial credit crisis have put the brakes on expansion projects across the Gulf Arab region. (MEED31.12)

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5.11 Dubai Plans 20% Jump in Budget Expenditure

Dubai's government plans to increase public expenditure by around 20% in 2009 to stimulate the service-based economy. Nasser Al-Sheikh, director-general of Dubai's finance department said it would increase from some $8.17 billion that was budgeted for public spending in 2008. 'The role of government is to increase spending during challenging times and provide a stimulus to the economy,' Sheikh said. Dubai has slashed by around half its economic growth projection for 2009 to between 4 to 6%, Sheikh said in remarks. Sheikh is a member of a Dubai committee set up to respond to a financial crisis that has shaken investor sentiment and heightened concerns about transparency in the emirate. Dubai's sovereign debt stands at $10 billion while the debts of state-affiliated firms amount to $70 billion, Mohamed Alabbar, a member of Dubai's ruling council and chairman of Emaar Properties said in November. (TA27.12)

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5.12 Oman Sees $2.1 Billion 2009 Budget Deficit

The Oman News Agency announced in 1 January that Muscat has approved a budget for 2009 with an estimated deficit of some $2.1b. The 6.424-billion-rial budget, approved by Sultan Qaboos, was based on an average oil price of $45 a barrel. Omani officials said that if oil drops below $45 then the state would cut down on expenditures. Expenditures in 2008 were 5.8 billion rials, it reported, but did not say if the figure represented estimates or actual expenditure. (Various 02.01)

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5.14 Saudi Inflation Rate Falls To 9.5% in November

Annual inflation in Saudi Arabia eased to 9.5% in November from 10.35% in September, official data showed on 31 December. The cost of living index of the largest Arab economy was 119.9 points on Nov. 30 compared with 120.1 points in Oct. 31, according to figures carried by official Saudi Press Agency. The agency, citing the Central Department of Statistics and Information, did not give annual inflation figures for October. The finance ministry said earlier this month that inflation in 2008 was estimated at 9.2%. (AB31.12)

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5.15 Saudi Rail Link Tender Bids Set To Be Opened

Work on the Mecca to Medina Railway Link (MMRL) project is expected to start soon as Saudi authorities consider the four bids for the $5.3b contract. The tender bids sent in by the four consortia will be opened in January, Saudi Transport Minister al-Seraisry announced. Saudi King Abdullah ordered the implementation of the project last February in a bid to bring about improvements in the transportation of pilgrims between the two Islamic holy cities. The MMRL project, which is designed to operate trains with a speed of more than 300km per hour, would reduce travel time between Jeddah and Mecca to 30 minutes and between Jeddah and Medina to two hours. The MMRL includes the construction of 450km of high-speed electrified railway lines between Jeddah and Mecca and between Jeddah and Medina. The new railway will link the two holy cities with Jeddah and Rabigh as well as King Abdul Aziz International Airport and Jeddah Islamic Port. (Various04.01)

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5.16 Egypt's Price Producer Index Continues to Fall

Egypt's Price Producer Index (PPI) fell considerably in November for the fifth straight month, as energy prices continued to plummet, according to government statistics agency CAPMAS' report released on 4 January. The PPI skidded to 11.86% in the year to November, well down from October's reading of 16.9%. A plunge in crude oil costs triggered a drop in prices of mining and quarrying item, which in turn helped drag the index down. The global economic downturn has suppressed demand for oil and sent prices plunging worldwide. On the other hand, prices for agriculture and fishing items surged 22.8% in November up from 18.1% a month earlier. The PPI's November figure has tumbled from a peak of 33.7% in the year to June that was fueled by higher commodity prices and economic growth. Economists expect consumer price index (CPI) figures for December to further slide albeit at a much slower pace than producer inflation. Consumer inflation dipped to 20.3% in the year to November from a 16-year high of 23.6% in August as global food and commodity prices retreated in tandem with the global economic downturn. Still, higher than desired inflation rates pressured the central bank to keep its benchmark interest rates steady for the second time in a row on Dec. 26. (DNE05.01)

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5.17 Egypt to Cut Some Import Tariffs To Zero

The Egyptian government plans to cut import tariffs on some capital and intermediary goods to zero% from between 2 and 5% to boost investment, The changes will affect a number of industries, including automotive, spinning and weaving, dairy and food production, as well as spare parts for a number of household goods, according to the paper. Egypt will also review import duties charged at 10% on some goods. The paper gave the cost of the reductions as $230m but did not say what period of time this would cover. The Egyptian government said earlier in December it plans tax exemptions and tariff reductions worth E£2.2 billion as part of a package to stimulate the economy, with E£1 billion exempting investors from sales tax on capital goods for a year starting in January. The measures are part of a E£15 billion stimulus package the government announced last month for the current 2008/09 fiscal year. The majority of the spending will go to infrastructure projects. The Egyptian government has set its target for economic growth at 5.5% for the two years starting July 2008, after 7.2% growth in the 2007/8 financial year. (DNE30.12)

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5.18 Egypt Announces Measures To Bolster Tourism

Egypt will exempt hotels from paying contributions to the country's tourism promotion authority and will cut fees paid by charter flights to help its tourism industry cope with the global financial crisis. Egyptian Minister of Tourism Garrana has agreed to exempt hotel establishments from tourism promotion fees which the ministry collects from the hotels to lessen their burdens during the financial crisis. Egypt's tourism industry, the country's top hard currency earner, has started to feel the pinch of the global financial crisis, with hotel bookings down 30% in January 2009 compared to the same month in 2008. The Ministry of Tourism will also set up a working group to deal with the fallout of the crisis, with measures being reviewed and changed every three months. Egypt's aviation minister has also agreed to reduce landing and take-off fees, as well as ground handling fees for charter flights, and waive them entirely for charter flights that make 11 trips to designated destinations in the span of three months. The Ministry will also change its broadcast advertisement campaigns to focus on promoting Egypt as an affordable holiday destination. The Egyptian Central Bank said in December revenue from tourism in the first quarter of the 2008/09 fiscal year, which started in July, rose 15.2% to some $3.3 billion. Tourism represents 6.6% of Egypt's gross domestic product and is the Arab country's main hard currency earner, followed by worker remittances at $8.4 billion. (Reuters04.01)

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5.19 Egypt to Receive Three-Year Grant From France

The French Development Agency (FDA) is to give Egypt between €100 and €150 million annually over the next three years for development, French Prime Minister Fillon announced on 22 December during his two-day visit to Egypt. The grant is aimed at supporting small-and-medium-sized enterprises [SMEs], help abate industrial pollution and improve living conditions for the population. The grant will focus on four pillars: enhance SMEs, human resource training, public private partnership projects (particularly energy and infrastructure projects) and sustainable development. The FDA is also likely to finalize a $200m loan to Egypt to help finance construction by French companies of the second phase of Cairo's third metro line during Fillon's visit, officials said. The French premier and his Egyptian counterpart Ahmed Nazif jointly chaired a meeting of the Franco-Egyptian business council, attended by some 40 businesspeople from both countries. France has become Egypt's leading European investor, pouring in over €15 billion in some 100 companies. Since 2006, France has jumped from fourth to first place among European investors in Egypt. Bilateral trade has soared to more than €2 billion, whereby Egyptian exports leapt 40% within the last four years. Fillon also visited local operations of French companies Orange and Alcatel-Lucent located in Smart Village, Egypt's technology district in the suburbs of Cairo. (23.12)

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6: TURKISH, CYPRIOT, GREEK & BULGARIAN DEVELOPMENTS

6.1 Turkish Exports Drop 25% in December

As demand falls in global markets, Turkey's exports suffered a 25% decline in December from a year earlier, according to data from the Turkish Exporters' Assembly (TIM). The value of goods sold abroad in the month fell to $7.1 billion, from $9.48 billion in December 2007, the assembly said. Exports of automobiles and auto parts slumped 47% to $1.1 billion. Exports in the year through December rose 20.3% from 2007 to $127.5 billion. Industrial products constituted $110.6 billion of the figure, while agricultural products and mining products stood at $13.5 billion and $3.2 billion, respectively. But State Minister Karsad Tuzmen said Turkey's exports in 2008 totaled $131.5 billion. Imports stood at $201.4 billion. Throughout 2008, the biggest export destination was again Germany, followed by Britain, Italy, United Arab Emirates, Russia, France, Spain and Germany. The current account deficit for 2008 stood at $43.5 billion, but the government expects the figure to decline to $28 billion in 2009, he said. (Hurriyet03.01)

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6.2 Turkey - IMF Talks To Begin Thursday

An International Monetary Fund (IMF) team will begin talks with the Turkish economy officials over a new loan deal starting on 8 January. The IMF delegation, led by new Turkey desk chief van Elkan, will hold meetings with Turkish State Minister for economy Simsek and other senior economy officials in Ankara. The IMF team is expected to head to Istanbul after talks with government officials and meet with businessmen and representatives of banking sector to discuss financing need of the real sector. The IMF team will stay in Turkey until the end of January. Talks with the IMF are expected to resume in February. The new loan deal between Turkey and the IMF is likely to be approved by the Fund in March. (ANA06.01)

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6.3 Turkey Continues Nuclear Steps With Peaceful Use Guarantee

After passing legislation on the construction and operation of nuclear power stations and the sale of the energy generated on 11 May 2007, Turkey has taken another step toward full utilization of nuclear energy by drafting a bill on nuclear energy that guarantees the nation will use nuclear energy for peaceful purposes. The 57-article nuclear energy bill drafted by the Turkish Atomic Energy Agency (TAEK) will soon be sent to the Prime Ministry. After conducting its routine inspection, the Prime Ministry will send the bill to Parliament for enactment. The Turkish move to pass a nuclear bill comes against a backdrop of tensions between the US and Iran over Iran's uranium enrichment program, which the American administration says is geared toward the creation of nuclear weapons.

The bill foresees the establishment of a Turkish Nuclear Regulatory Board (TNDK) as an independent body free from the influence of the state, politicians and individuals. The board members will take an oath before the administration board of the Supreme Court of Appeals before taking office. They must swear that they will conduct their duties with utter care, honesty and impartiality; that they will not act contrary to the provisions of the nuclear energy law or allow violation of these provisions; that they will not allow people to gain unfair benefits; that they will abide by the principles of equality; and that they will prioritize the security and safety of individuals, society and the environment. The TNDK may request all sorts of information or documents from the applicants or authorized people provided that principles of confidentiality are preserved. If necessary, the TNDK may allow information which is not regarded as a state secret or professional or trade secret to be accessible to national or international organizations, public authorities or the general public. (Zaman04.01)

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6.4 Turkey's Auto Manufacturing Hub In Trouble As It Welcomes 2009

Bursa, the center of auto manufacturing in Turkey, will enter the new year struggling with a series of problems due to a significant contraction in the auto market. As declining demand in both domestic and global automotive markets has led to a slump in exports and domestic sales, major car producers in the city are having great difficulty coping with ever-mounting problems. Three major auto and automotive parts producers in the city -- OYAK Renault, Tofa and Bosch -- have recently cut production and were left with no choice but to dismiss some of their employees. Noting that orders from foreign countries have declined dramatically within the last few months, Bursa's car manufacturers, who export 80% of their products, were hit badly by the decline. Oyak Renault, Turkish automaker co-owned by Oyak and French Renault, Germany's Bosch, a supplier of diesel engine technology to several automakers, and Tofa, a joint venture between Italian Fiat and Koc Holding, had recently suspended production at their Bursa plants. (Zaman31.12)

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6.5 Cyprus 2008 Inflation at 4.7% from 2.4% In 2007

The consumer price inflation rate in Cyprus recorded its highest rate for well over years in 2008, rising to 4.7%, compared with 2.4% in 2007. However, falling international oil and food prices meant that the December rate was considerably lower than earlier in the year and actually declined compared with the previous month. The consumer price index in December 2008 fell by 0.98% to 110.34. The Statistical Service said that this was mainly owing to decreases in the prices of petroleum products, electricity, gas, certain fresh vegetables, potatoes and fresh milk. Increases were recorded in the prices of lamb and goat meat and certain fresh fruit. The annual December rate therefore dropped to 2.1%, from 3.4% in November 2008 and 3.9% in December 2007. (FM02.01)

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6.6 Cyprus' Central Bank Governor Says Euro Shielded Economy

Cyprus' accession to the euro-area acts as a protection shield against the fallout of the current international financial crisis, the Governor of the Central Bank Orphanides believes. In a message, to mark one year since joining the euro, he said the EU currency, which Cyprus adopted as its legal tender on January 1 this year, provides long-term opportunities and acts as a springboard for the right use of new prospects which open up further progress and development. Describing accession to the euro-zone "a historic development", Orphanides recalled that the road to the euro introduced many modern changes which aligned Cyprus with modern economic notions and European reality. The strategy which was adopted and the wise monetary policy the Central Bank has applied resulted in currency stability and contributed to a great extent to a successful membership of the euro-area, he remarked. World economic depression and the negative fallout from the global financial crisis would have affected the local economy a lot more, had Cyprus not jointed the euro-area in time, he said. This, he explained, is due to the stability of the euro and the global clout it has gained. "The euro acts as a protection shield for the purchasing power of the Cypriot citizens and generally for a healthy long-term financial framework of the local economy," he added. (FM02.01)

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6.7 Cyprus to Increase Golf Courses To 14

The Cyprus government plans to increase its golf courses to 14 in a bid to enrich its tourist product, according to Cypriot Minister of Commerce, Industry & Tourism Paschalides. He added that government desires development, adding however that there should be a balance between development and the environment. Paschalides said that he will examine the concerns expressed by the businesspeople and will discuss them with the other Ministers composing the Ministerial Committee dealing with the issue. He added that after a consultation there will be a balanced proposal so everybody concerned will be satisfied. Paschalides called for a "geographical balance," adding that the golf courses will be constructed in Larnaca, Famagusta and Paphos. (FM23.12)

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6.8 Greek Exports Up 2.2% in January - September

Greek exports grew by 2.2% in the January - September period compared with the corresponding period last year, totaling €12.974 billion, the National Statistics Service announced on 30 December. The statistical service said provisional figures showed that the value of exports grew by 15.6% if measured in US dollars over the same period, reflecting a 6.7% increase of exports to the 10 new EU members and an 8.3% rise of exports to neighboring Balkan states. Greek exports to the EU-15 fell slightly, although exports to the EU-25 grew by 1.3% in the nine-month period. Exports to North America jumped 8.8%, reflecting a 12.7% rise of exports to the United States, while exports to Russia jumped a spectacular 31%. On the other hand, however, exports to the Middle East and North Africa fell by 6.5%, while exports remained stable to Southeast Asia and fell vis-à-vis Latin America. Imports fell by 2.9% in the January-September period, but rose by 7.5% to the EU-27. (ANA31.12)

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6.9 Bulgaria Committed to Russian-Sponsored South Stream Gas Pipeline

In July, the Bulgarian Parliament ratified the country's agreement with Russia for the construction of the South Stream gas transit pipeline with the overwhelming support of the governing three-way coalition parties. According to the terms of the contract, the two state monopolies Gazprom and Bulgargaz will set up a company for the construction and management of the pipeline on Bulgarian territory. Each of the two players will have a share of 50% in the joint venture. The pipeline will have a transit capacity of 31 billion cubic meters of natural gas per year, with the Russian side guaranteeing it would be filling the pipe to the maximum. The territorial exploration will start up to 18 months after the founding of the joint company, and the construction will be launched up to 2 years after its completion. The agreement is for thirty years. After this term expires, it will be renewed automatically every five years unless one of the sides decides to terminate it.

In June, Bulgaria's Prime Minister Stanishev stated the government's aim with participating in both South Stream and Nabucco was to have 10-12% of EU's total natural gas be transited through Bulgarian territory. In January, the Gazprom Director Miller stated the first gas would be delivered through South Stream in 2013. Recent reports in Russian media, however, cited Gazprom's confidential "General Plan for the Development of the Gas Sector by 2030" as saying the gas deliveries through South Stream would start in 2015-2024. (SN04.01)

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7: GENERAL NEWS AND INTEREST

*ISRAEL:

7.1 Central Bureau of Statistics Says Israel's Population Stands at 7.4 Million

According to the Central Bureau of Statistics, Israel's population at the end of 2008 stands at 7,373,000 – 129,500 more than a year ago. Some 75.5% of the total population is Jewish, compared with 79.2% ten years ago. Just over 20% is Arab. Some 157,000 babies were born over the year and 16,500 will have made aliyah [immigrated to Israel] by 31 December. Natural population growth was consistent with the last five years at 1.8%, while 38,000 people died. The number of new immigrants has dropped, but the Jewish Agency attributes this to a depletion of the potential aliyah pool in Russia and Ethiopia. In addition, aliyah from English-speaking countries increased in 2008. (Various30.12)

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7.2 Israel's Upcoming Elections has 34 Parties Make Knesset Bid

Thirty-four parties have submitted their final lists to elections officials and will run for Knesset in the February elections. In the most recent elections, 31 parties vied for the 120 Knesset seats. The United Torah Judaism (UTJ) party and HaTikva-National Union submitted their lists shortly before the deadline. Both parties had conducted last minute internal negotiations to unite various factions - UTJ reached a deal keeping the Degel HaTorah and Agudat Yisrael factions under one roof, while HaTikva-NU united the HaTikva party with the Jewish Front party and the Tekuma and Moledet factions of the NU. The Likud party also submitted its list at the last minute, after reaching a deal integrating National Union MK Effie Eitam into the party list. His presence on the party list will allow the Likud to spend an additional 12 million shekels on its campaign. The list of parties in the race includes three "green" factions: the List for a Green Israel, the Green Party-Meimad and the Green Leaf party. Each of the three lists environmental issues as a central part of its platform. The Green Leaf party is also known for its fight to legalize marijuana. Two parties hoping to enter the Knesset for the first time are the Youth in Israel party and the Green Leaf with Holocaust Survivors party. The latter party is running independently of the Green Leaf party, but many of its members are former members of Green Leaf. The parties currently in the lead are Likud, Kadima, Yisrael Beiteinu, Labor and Shas. Polls show Likud beating Kadima by between one and 11 seats. Labor is expected to suffer a significant drop to 9-11 seats. (30.12IsraelNN)

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*REGIONAL:

7.3 2012 Date For World's Tallest Commercial Tower

On 2 January, the developer behind plans for the world's tallest commercial building said it would deliver the project in early 2012. Despite the global economic crisis, the Fortune Group said it would soon announce the construction contract for the 108-storey Burj Al Alam, being developed at the Business Bay, Dubai. The Group added that about 50% of the project was already sold out and the company was committed to deliver the building, which is expected to rise 510 meters, in Q1/2012. The news follows an announcement by Emaar earlier this week that the Burj Dubai, the world's tallest building of any type, currently stood at 780 meters and was still rising. It is slated to be completed by mid-2009. Fortune Group's development portfolio includes Fortune Bay at Business Bay and Fortune Pavilion at Dubai Sports City. (AB05.01)

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7.4 Sheikh Rashid bin Ahmed Al-Mualla of Umm Al-Quwain Dies

The elderly ruler of Umm Al-Quwain, the smallest of the seven emirates comprising the United Arab Emirates, has died. UAE supreme council member and ruler of Umm Al-Qaiwain, Sheikh Rashid bin Ahmed Al-Mualla, died on the morning of 2 January in London. A forty-day state of mourning has been declared in Umm Al-Qaiwain, during which the flag shall fly at half mast. The UAE's two most powerful emirates are Abu Dhabi, home to over 90% of the country's oil and the major contributor to the federal budget, and Dubai, the Gulf's tourism hub. The late Sheikh Rashid was the 10th in the line of the rulers of Umm al-Quwain, which was established as a separate emirate in 1775. He was born in around 1932 and was educated locally. During the 1960s, he was appointed Crown Prince and Deputy Ruler, and took part in many of the meetings between the Rulers and Deputy Rulers leading up to the formation of the UAE federation in 1971. He also represented the emirate in negotiations related to Umm al-Quwain's interests in the offshore Mubarak oilfield As Crown Prince and Deputy Ruler, he also supervised the work of the Umm al-Quwain Municipality and the local Chamber of Commerce. He succeeded as ruler of Umm al-Quwain upon his father's death in Feb. 1981. He is succeeded as ruler by his son, Sheikh Saud bin Rashid, formerly Crown Prince of Umm Al Quwain. (WAM03.01)

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7.5 Turks Pinned New Year's Hopes to Red Panties

Sales of red underwear, believed by Turks to bring good fortune if worn on New Year's Eve, have not been affected by the economic crisis. Due to consumer demand and those who want to relieve themselves of the stress of the crisis and hope for better luck, the sales of red underwear in Turkey have increased by 10 to 20%. Manufacturers increase red underwear production by 20% every December. Ten, one of oldest underwear brands in Turkey, have also increased red underwear sales by 20%. Ten manufactured 6,000 pieces of red underwear for December this year as they sold 5,000 pieces last December. (Hurriyet31.12)

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7.6 Turkey Drops the 'Y' In Its National Currency

Turkish currency will now be called 'Turkish Lira,' or TL, starting as of 1 January, as the Y in YTL the "new" of the New Turkish Lira, will be dropped.. Turkish Central Bank Governor Yilmaz says the campaign to promote the change has cost YTL1.14 million. Citizens generally view the transition positively. The new banknotes will be smaller, Yilmaz said, and added that until the end of 2009, YTL notes would still be in circulation. The YTL banknotes will be taken away from the market and burned. (Various31.12)

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8: ISRAEL LIFE SCIENCE NEWS

8.1 Lumenis Announces 510(k) Approval for the New AcuPulse CO2 Laser

Lumenis announced the FDA approval and market introduction of its new AcuPulse CO2 Laser for ENT, Gynecology, Neurosurgery, General Surgery and Aesthetic medicine. AcuPulse represents an evolution in automated CO2 laser surgery. Benefiting from years of experience with the Sharplan Compact product line, the AcuPulse was designed to create a new standard in treatment convenience for the physician and the nursing staff alike. Considering human factors and efficacy as major concept goals, automation and robotics features are controlled from a large area video screen that assures simple communication with the user. With the AcuPulse CO2 laser and SurgiTouch automation system, surgeons can now focus on the surgery - not the laser set-up. Attention has also been paid to the needs of the operating room staff. Video animations display the assembly instructions for various laser accessories, making it simple for new staff to become quickly familiar with the system.

Yokneam's Lumenis (http://www.lumenis.com) is Israel's largest medical device company with more than 800 employees worldwide. The Company invests heavily in R&D and holds a leading position in the markets in which it serves. Lumenis has over 250 patents worldwide, over 75 FDA clearances, worldwide presence in over 100 countries, and an installed base of over 70,000 systems. (Lumenis 05.01)

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9: ISRAEL PRODUCT & TECHNOLOGY NEWS

9.1 Gilat Signs New Agreements with Colombian Ministry of Communications

Gilat Satellite Networks announced that the lengthy negotiations with the Ministry of Communications in Colombia have led to signature of new agreements for the provision of services under the Compartel I, Compartel II and Telecentros projects which were awarded to Gilat's Colombian subsidiaries in 1999 and 2002. The new terms to the agreements include the removal of thousands of telephony sites which are no longer needed or used by the rural population in Colombia, the upgrade of technology, primarily in existing sites, entailing additional capital expenditure by Gilat, modification of the terms of the agreements, the release of approximately $24 million from trust accounts and a release by each of the parties from all prior claims under the previous agreements. The Company expects that most of the amount in the trusts will be released during 2009, with the remaining amount to be released in 2010. Petah Tikva's Gilat Satellite Networks (http://www.gilat.com) is a leading provider of products and services for satellite-based communications networks. The Company operates three business units: (i) Gilat Network Systems ("GNS"), which is a provider of network systems and associated professional services to service providers and operators worldwide; (ii) Spacenet Inc., which provides managed services in North America for businesses and governments through its Connexstar service brand and for consumers through its StarBand service brand; (iii) Spacenet Rural Communications, which offers rural telephony and internet access solutions to remote areas, primarily in Latin America. (Gilat31.12)

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9.2 Civcom Unveils RZ Tunable 12.5G Transponder

Civcom announced the availability of a new RZ Tunable 10G transponder. Complementing Civcom's Free Ligh family of tunable NRZ transponders, the new RZ transponder offers equipment manufacturers high performance for long haul terrestrial and submarine applications. Although the RZ modulation format is less commonly deployed than its NRZ counterpart, RZ offers a number of significant advantages in the areas of signal quality and non-linear effect handling. The use of RZ modulation can improve OSNR by up to 2dB in a simple receiver implementation. In long haul and ultra long haul communications, for example, RZ is much more effective due to its high tolerance of non-linear distortions of the self phase modulation (SPM) type. Designed for long reach DWDM applications, Civcom's new RZ transponder contains both a 10Gbps widely tunable transmitter and a wide band receiver. The module, which was designed to work with 25% FEC, is compatible with the 300PIN MSA and I2C standard. The RZ transponder uses a widely tunable laser covering the entire C-Band.

Petah Tikva's Civcom (http://www.civcom.com), acquired by Padtec of Brazil in February 2008, is a pioneer in the development and manufacturing of cost-saving dynamic Opto-electronic components and modules, specializing in the field of 10Gbps and 40Gbps Telecom applications. Civcom leads the way in the field of dispersion tolerance transmission providing solution for some of the most progressive tunable transponders. (Civcom06.01)

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9.3 Elbit Vision Systems Wins Orders From Two Leading US-based Aerospace Manufacturers

Elbit Vision Systems has a won two orders for ultrasonic inspection systems, with total value of $1m. The orders are to be delivered, and revenues recognized, during H1/09. The orders are from two leading US-based Aerospace manufacturers, for the supply of Ultrasonic inspection systems to check for structural flaws in aircrafts and jet-engine parts 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. The headquarters, manufacturing and R&D of EVS are all located in Israel. (EVS06.01)

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10: ISRAEL ECONOMIC STATISTICS

10.1 Israeli Figures Estimate 4.1% Growth In 2008

On 31 December the Central Bureau of Statistics released preliminary estimates that state Israel's GDP will have grown by 4.1% in 2008, less than the 5% average over the preceding three years. Israel's GDP rose by 1.8% in H2/08. Since Israel's population grew by 1.8% in 2008, GDP per capita rose by 2.2%, after rising by 3.5% in 2007. Export of goods and services rose by 3.6% in 2008, after rising 8.5% in 2007. The slump in diamond exports was mainly responsible for the decline in exports. Private consumption increased by 4% after rising 7% in 2007. Private consumption per capita rose by 2%, reflecting a 7% increase in per capita consumption of durable goods and a 1.5% increase in per capita consumption of perishable goods. Investment in fixed assets rose by 5.5% in 2008, after rising 15.5% in 2007. Business product growth fell to 4.5% in 2008 from the average of 6.5% in the preceding three years. Despite the sharp declines in most macroeconomic variables, Israel nevertheless had higher growth rates and per capita growth rates than OECD countries. (CBS31.12)

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10.2 Israeli Exports Down 20% in Fourth Quarter

Despite the global slowdown, Israeli exports are expected to grow by 10% in 2008 to $78 billion, the Israel Export and International Cooperation Institute announced on 29 December. The Export Institute added that exports of goods grew by 24% in H1/08, driven by chemicals and fertilizers, whose prices rose sharply. However, export growth slowed to 7% in H2/08. Exports are expected to be 20% lower in Q4/08 than in Q4/07 because of the sharp drop in prices for raw materials and a 40% plunge in diamond exports. The US accounted for 33% of Israeli exports in 2008, down from 38% in 2006, although it remains Israel's largest export market. High-tech exports are expected to grow by 7% in 2008 to $17 billion. Fourth quarter high-tech exports are expected to fall by 4%.

Israel's foreign trade in goods and services is expected to grow by 13.5% in 2008 to $164 billion. The goods and services trade deficit is expected to total $7.7 billion, 185% more than in 2007 because of a 17% increase in imports of goods and services to $86 billion. The Export Institute added that despite high economic growth rates in Asian countries, the continent accounted for only 20% of Israel's total exports of goods. The Export Institute expects Israel's exports to fall by 3% in 2009, after growing by an average of 12% a year over the past five years. It also expects the proportion of exports to the US to fall below 30% of total exports, the second annual decline in the past 20 years. (IE&ICI28.12)

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10.3 Israel's Supermarkets Feel Crunch of Creeping Recession

The recession has hit supermarket shelves, where November sales were down a total of 12% compared to the same month last year. A Nielsen poll for November found that nonessential items were particularly hard-hit, but sales were also weaker for basic foodstuffs like rice and eggs. The market research also found that consumers are switching to cheaper beverages and wholesalers are preparing for price wars in order to stimulate sales. One wholesaler told Globes that sales were very weak and wholesalers and distributors and both are referring to last month as ‘Black November'. Hardest hit were beverages, but the sales of food items thought to be almost recession-proof dropped by 9% in almost all categories. The wholesalers said they were anticipating weaker sales, however, the reality was worse than expected. The good news is that fresh seasonal produce and fuel costs have declined significantly, so some food prices are actually lower. Even though the public is watching how they spend their food shekels, the cost of living index for the food sector was actually lower by 0.6% for November. Wholesale food prices declined by 2.4% for November and are expected to continue to drop even though people are buying less. (KT29.12)

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11: In Depth

11.1 IRAQ: Second IMF Review Under the Stand-By Arrangement

Executive Summary

The IMF found that Iraq's economic activity is picking up in 2008 and growth for the year is expected to be robust. Improved security and the reopening of the northern pipeline to Turkey have contributed to higher oil production and exports. Non-oil activity has also started to recover, albeit from a low base.

Inflation has remained subdued thus far in 2008 as exchange rate policy was adjusted in anticipation of price pressures expected from increased spending in the 2008 supplementary budget. The civil service wage increase that came into effect in June has had a limited impact on inflation thus far, and annual consumer price inflation in October was 7%. Core inflation (excluding fuel and transportation), however, remained at about 13½% in October, in part because of higher food prices. The Central Bank of Iraq (CBI) increased the pace of appreciation of the dinar during July–October. In view of the limited price pressures, the CBI lowered its policy interest rate to 15% as of early November.

The draft 2009 budget is based on much lower oil revenue projections but allows for an increase in investment spending and security outlays. Current spending will be strictly contained, in particular on the wage bill and transfers. Efforts are underway to reform the in kind Public Distribution System.

The CBI will maintain its tight policy stance by gradually appreciating the exchange rate of the dinar in the coming months, and by keeping the policy interest rate positive in real terms to keep inflation under control.

The authorities will consider adjusting domestic fuel prices after the provincial elections scheduled for early 2009. With lower world oil prices, the indirect subsidies on fuel products are projected to decline in 2009.

Structural reforms will continue. Priority reforms in public financial management will be based on the recently adopted action plan in this area. The CBI will continue to improve its accounting and reporting framework, and an external auditor will be appointed to conduct the audit of its 2008 financial statements. Restructuring plans for Rafidain and Rasheed banks will be developed with assistance of the World Bank and other international partners. The remaining prudential regulations for banks are being finalized. Governance in the oil sector will be strengthened by further extending metering systems and by implementing the Extractive Industries Transparency Initiative (EITI) procedures. (IMF30.12)

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11.2 BAHRAIN: Moody's Changes Outlook To Negative From Stable

On 5 January, Moody's Investors Service (http://www.moodys.com) changed the outlook on Bahrain's sovereign ratings to negative from stable. These ratings are the country's A2 local and foreign currency government bond ratings, the A2 country ceiling for foreign currency bank deposits and the Aa3 country ceiling for foreign currency bonds. Bahrain's country ceiling for local currency bank deposits and country ceiling for local currency bonds remain at Aa2.

"The change in outlook was prompted by the steep decline in oil prices well below Bahrain's fiscal break even level. Compared with similarly rated oil exporters, Bahrain has more limited reserves of liquid financial assets that can be tapped to finance fiscal deficits and ease adjustment. Moreover, Bahrain may not have the resilience to absorb the price shock and avoid impairment to its credit fundamentals relative to global rating peers." says Tristan Cooper, Vice President and Senior Analyst in Moody's Sovereigns Group.

Moody's notes that despite progress towards economic diversification, Bahrain's fiscal and external current accounts remain heavily dependent on oil export receipts. According to the IMF, Bahrain's fiscal break even oil price is around $75 per barrel, compared with a current oil price of around $45 per barrel. Bahrain's fiscal break even is higher than that of most other oil exporters rated by Moody's, including lower-rated Russia, Kazakhstan and Trinidad & Tobago.

"The government's ability to cut expenditure in response to the decline in its revenues has been partially compromised by large increases in current spending in recent years," says Mr. Cooper. Moody's expects the headline credit metrics of oil exporters to be stronger than those of non-oil exporters at a similar rating level because of the pronounced volatility of their economic performance.

Moody's cautions that the global and regional economic downturn is likely to have a significant effect on Bahrain's non-hydrocarbon sectors as well. Although the country has had some success in diversifying its real economy away from oil in recent years, it has tended to focus on sectors that are also cyclical and vulnerable to fluctuations in external demand, including tourism and financial services. Moreover, the competitiveness of the country's non-hydrocarbon exports and services has been hampered by the recent appreciation of the local currency, which is pegged to the US dollar.

Bahrain's country ceiling for local currency bank deposits remains unchanged as contagion from the global financial crisis to the retail banking system seems to have been contained. "Nevertheless, Moody's does have some concerns over the capacity of the authorities to support the country's large banking sector in the event of a systemic crisis," cautions Mr. Cooper.

Political event risk to Bahrain's sovereign ratings is considered to be at a moderate level on Moody's global scale of this particular rating factor. Like other GCC countries, Bahrain is affected by the precarious regional political situation, with the stability of Iran and Iraq perennial concerns. But unlike other GCC countries, Bahrain's domestic politics are more fractious and potentially prone to instability in the event of a prolonged economic downturn.

Further downward pressure on Bahrain's ratings would arise from an inability of the government to make the necessary fiscal adjustments to prevent a long-term impairment of its balance sheet. This would be reflected in an unfavorable trajectory of government financial metrics relative to Bahrain's global rating peers.

The last rating action on Bahrain was implemented on 24 July 2007, when Moody's upgraded Bahrain's government bond ratings to A2 from A3 based on the government's then booming oil revenues. (Moody06.01)

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11.3 UAE: Moody's Says Sovereign Rating "Not Threatened" By Oil Price Fall

The high ratings of the Federal Government of the United Arab Emirates (UAE) are resistant to the steep fall that has been recorded in international oil prices since July 2008, says Moody's Investors Service (http://www.moodys.com) in its new annual credit report on the country. The long-term foreign and local currency issuer ratings of the Federal Government of the UAE are Aa2 with a stable outlook.

"The core assumption that underpins Moody's Aa2 ratings is that the Federal Government is fully supported by the government of Abu Dhabi, also rated Aa2," says Tristan Cooper, a Moody's Vice-President / Senior Analyst and author of the report. As explained in its press release from 18 December 2008, Moody's believes that Abu Dhabi's public finances are very robust and can withstand the recent drop in international oil prices. The rating agency estimates that Abu Dhabi's fiscal breakeven is at around $30 per barrel.

Even if oil prices were to fall below $30 per barrel, the Abu Dhabi government has recourse to a large stock of offshore financial assets. While the full scale of these assets has not been revealed to Moody's, they are known to be worth more than twice the value of the emirate's projected 2008 GDP or more than $280 billion. This is after accounting for recent sharp declines in global equity markets.

Moody's determination of government bond ratings, as set out in its published methodology, reflects four primary rating factors: Economic Strength, Institutional Strength, Government Financial Strength, and Susceptibility to Event Risk.

"Moody's considers the UAE's Economic Strength to be Very High. This judgment is based primarily on the country's high level of GDP per capita (notwithstanding its enhanced volatility), extensive reserves of oil and gas, and large holdings of offshore financial assets," explains Mr. Cooper.

The UAE's Institutional Strength is assessed as High. This reflects the country's relatively strong ranking on indicators of institutional quality and the government's seemingly solid commitment to repaying its debt. "However, Moody's notes that the UAE's institutions are still developing and that their quality continues to lag that of higher rated and even some similarly rated countries," cautions Mr. Cooper.

Moody's score for the UAE's government financial strength is Very High. This score is primarily driven by the reasons outlined above, i.e. the relatively low fiscal breakeven oil price and very strong balance sheet of the Abu Dhabi government.

Finally, the UAE's susceptibility to event risk is assessed as Moderate. While Moody's considers the risk of domestic political upheaval to be low given the country's long history of internal stability, the volatile regional political environment is of some concern. Meanwhile, in terms of economic event risk: "The vulnerability of the Federal Government's finances to economic and financial shocks would be felt mainly through its domestic contingent liabilities, which we consider to be extensive. However, they are still rather moderate in relation to the size of the Abu Dhabi government's financial assets, which are ultimately the main pillar of support for the Federal Government's Aa2 rating," concludes Mr. Cooper.

Moody's last rating action on the government of the UAE was taken 18 months ago on 9 July 2007 when the rating agency upgraded the country's ratings to Aa2 from Aa3 with a stable outlook. The ratings have remained unchanged since then. (Moody's 30.12)

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11.4 UAE: Dubai - 2008 Year in Review

As observed by the Oxford Business Group, the most vibrant of the seven emirates in the United Arab Emirates (UAE), Dubai, has been pushing forward quickly with its ambitious plans to diversify its economy and make itself the business hub of the Gulf region. Though this process continued throughout 2008 and will be carried forward into the new-year, the breakneck pace of Dubai's economy is expected to slow as the effects of the global crisis are becoming evident.

As 2008 comes to an end, growth rates are being revised downwards from the 11% predicted early in the year to around 7%, well below the average of 17.9% achieved between 2000 and 2006, according to the Dubai Chamber of Commerce and Industry.

Despite the forecast deceleration, Dubai remains one of the world's fastest growing economies. Unlike some of its neighbors, the city-state is less likely to be directly affected by slumping oil prices as the oil sector's contribution to Dubai's GDP has fallen to just 5% in 2007 and is expected to further drop to 4% this year, according to official budget projections issued in January. However, reduced energy earnings means there will be less cash floating around for investments, a factor that could affect Dubai's high-flying real estate market.

According to a report issued by EFG-Hermes on November 30, residential prices have shown signs of weakness in the second half of the year, versus the first half of the year. The drop in prices has however been matched by an increase in rents over the same period, largely due to weaker appetite for property purchases, but also due to strong demand stemming from new entrants to Dubai. "Interestingly, new units released to the market have experienced a faster pickup in occupancy rates in recent months, illustrating this shift towards the rental market vis-à-vis a buyers market," the report stated.

Tighter credit conditions and a series of measures designed to deflate the property-price bubble played their part. The most important was a limit on off-plan sales, as well as the proposal under which foreigners who buy residential units would no longer be guaranteed residency permits. As a result, it could be argued that the property sector cool down has been induced by painful but necessary economic reforms.

Though some concerns have been raised over the high debt levels carried by Dubai, especially due to the loan funding for the emirate's huge infrastructure programs, both local officials and those from the federal UAE government have made it clear there is no risk of any public organizations defaulting on their debts.

In mid-October, Moody's credit ratings agency issued a warning that Dubai's high debt levels, which it estimated at 100% of GDP, had made the emirate vulnerable to an economic slowdown. However, in late November, Mohammed Alabbar, the chairman of a committee set up by the Dubai government to advise on measures to combat the economic downturn said that while the emirate's sovereign debt stood at some $70bn, it had assets of more than $260bn. "The government can and will meet its obligations going forward. Let there be no doubt about this fact. We accept the challenges that face us and we will rise to them," he told a press conference on November 24.

The government did take prompt action in late November when it stepped in to shore up confidence in Dubai's troubled mortgage sector, announcing the merger of its two largest home loan lenders, Amlak Finance and Tamweel, after share prices for both firms dropped by more than 80%, and the forming of a new lending giant. Though news of the federal intervention came as somewhat of a surprise, the move will serve as a guarantee that Dubai's economy will not be allowed to falter.

Dubai's banks too have been given protection. The Moody's alert coincided with the announcement by the UAE government that it would guarantee all bank deposits and provide $13.6bn to increase liquidity in the credit market.

Investment by the emirate could also be its deliverance. Dubai has embarked on vast infrastructure expansion in transport capacity during the year to consolidate its position as the region's aviation hub. Along with the continued development of the Al Maktoum International Airport, part of a $120bn project to make the emirate a centre of air travel and aviation services, Dubai firms placed some of the world's biggest orders for new aircraft in 2008.

Dubai Aerospace Enterprise Capital, the leasing and financing arm of state-owned Dubai Aerospace Enterprise (DAE), placed an order to buy 100 Airbus aircraft in a deal worth $13bn in July. Meanwhile, in the same month, new low cost carrier FlyDubai, which is scheduled to take to the skies next year, placed orders worth more than $3.74bn with manufacturer Boeing for 50 Next-Generation 737-800s.

There are more than a few silver linings though for Dubai as 2008 closes, one of which is the predicted fall in inflation. On November 21, UAE Economy Minister Sultan bin Saeed AlMansouri told local media year-end inflation would moderate to around 10% this year from the 11.1% in 2007, while an International Monetary Fund (IMF) report issued in late October said inflation across the UAE would end the year at 12.9% before falling to 10.8% in 2009. These predictions were however made before the effects of the marked slowdown in demand seen in the last two months of 2008.

Though Dubai has not posted the characteristic exponential growth of past years, it remains one of the world's fastest growing economies. Besides, the state's extensive spending on infrastructure projects, as well as the large scale investments already made to establish the emirate as a global business and trading hub, mean that when the regional and international economy starts to come out of its slump, Dubai will be ready to take the lead. (OBG26.12)

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11.5 EGYPT: S&P Affirms Ratings at FC 'BB+/B', LC 'BBB-/A-3' despite weakening external demand

Standard & Poor's Ratings Services (http://www.standardandpoors.com) affirmed its 'BB+/B' foreign currency and 'BBB-/A-3' local currency sovereign credit ratings on the Arab Republic of Egypt. The outlook on the ratings is stable.

As inflationary pressures ease, the sharp deterioration in external demand now poses the principal threat to Egypt's creditworthiness. Standard & Poor's expects economic growth to fall to around 5.5% in fiscal 2009 (ending June 30, 2009) and 4.4% in fiscal 2010, from an average of 7% in the past three years, because of a slowdown in tourist arrivals, static workers' remittances and weakening demand for manufacturing exports.

Slower growth will, in turn, put pressure on public finances and we expect the general government deficit to widen slightly to 7.9% of GDP in fiscal 2009. We also expect Egypt's external position to weaken. Compounded by a fall in traffic passing through the Suez Canal, we believe the current account will register a deficit of 2% of GDP in fiscal 2009, widening to 3.4% in fiscal 2010, following years of surpluses. Inward foreign direct investment will likely decline (albeit from a strong 8% of GDP in fiscal 2008) while substantial net outflows from the debt and equity markets have already occurred.

However, Egypt is better placed to weather external shocks than it was before the cabinet, installed in mid-2004, launched its program of fiscal reform, banking sector consolidation and privatization, and the central bank simultaneously embarked on an overhaul of monetary policy. Though public finances remain weak, gross debt-to-GDP has maintained a steady downward trajectory, to 71% at end-fiscal 2008 from 105% in 2005. On the external side, the substantial build-up of central bank reserves and other foreign currency assets gives the monetary authorities greater capacity to mitigate the shock of falling external demand.

Strengthening institutional capacity along with improved credibility should allow the central bank to employ greater flexibility in managing the exchange rate. The exposure of the banking sector to the global financial crisis is limited, with external liabilities low and a loan-deposit ratio of just 54%. Crucially, the cabinet has built up considerable credibility and momentum since 2004, leaving Egypt relatively well placed to attract investment once external conditions improve.

However, the government will be reticent to see growth fall too sharply, because of the social impact. Consequently, the deeper and longer lasting the external slowdown, the more difficult it will be for the authorities to maintain reform momentum and prevent a more substantial reversal in the trend of fiscal consolidation.

The stable outlook reflects our belief that the Egyptian government will meet the challenge of weakening external demand without a substantial deterioration of public finances or veering from its commitment to economic reform. The outlook also reflects the improving credibility of the central bank and declining inflation which together should allow the authorities to dampen the impact of the external shock through employing greater exchange rate flexibility.

The ratings could come under pressure if fiscal discipline and commitment to reform weaken in the face of the slowdown in external demand. A disorderly process of presidential succession would also bring downward pressure on the ratings. The ratings could be raised over the longer term if the government demonstrates its ability to deliver on its target of steady reduction in the fiscal deficit, pays down the heavy debt burden, and maintains structural reform momentum. (S&P31.12)

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11.6 ALGERIA: 2008 Year in Review

Though energy prices may be retreating, Algeria's economy had another good year in 2008, with foreign investment up, the trade surplus widening and with the effects of the global financial crisis apparently kept at bay.

The country's energy sector continued to be the backbone of the country's economy throughout the year. According to the Customs National Centre for Information and Statistics, oil and gas sales accounted for 97.66% of the country's export earnings in the first 10 months of the year, generating $68.90bn in revenue, an increase of 44.69% on the same period in 2007.

Throughout 2008, there were a series of deals announced for projects aimed at helping the country cash in on its energy wealth. The latest of these agreements, struck in mid-December, saw four foreign firms - Eni, BG Group, E.ON and Gazprom - awarded licenses to search for oil and natural gas in onshore blocks. Chakib Khelil, minister of energy and mining, described the auction for the licenses as significant as it was the first held since 2005, with Algeria planning to auction off licenses for another 12 blocks next year.

Under legislation approved in 2006, all four must form a partnership with state energy company Sonatrach, which will hold a minimum 51% stake in each joint venture. In early June, Sonatrach signed a partnership agreement with Spanish firm Fertiberia to establish a new $1bn ammonia plant at the port city of Arzew. When completed in 2010, the plant will have an annual production capacity of 1.1m tonnes, with the facility using 1.1bn cubic meters of gas per year as feedstock.

Arzew is also the site of a nitrogen-based fertilizer production complex being built by Sorfert Algeria, a joint venture between Sonatrach and Egypt's Orascom Construction Industries. In April, Sorfert announced it had concluded a $1.45bn loan agreement with the country's banks to fund construction of the plant, with initial production due to start in the second half of 2010.

Algeria continued to attract foreign capital throughout the year, with direct investments amounting to $6bn, according to a report issued by the Ministry of Industry and Promotion of Investment at the beginning of December. The banking and construction sectors were the main attractions.

Throughout the year, inflation was kept in check, with price rises as of the end of October running at 4.2%, only marginally up from the 3.4% in the first half of the year, according to figures released by the National Statistics Office in November. Mainly due to its strong energy exports, Algeria is set to post a sound year-end trade surplus. Over the January to October period, the country's trade surplus stood at $39.77bn, well up on the $26bn for the same 10 months in the preceding year. Exports totaled $70.55bn, while imports were valued at $30.77bn, according to Customs statistics.

Algeria is confident that it can avoid the worst of the international financial crisis. On October 7, Prime Minister Ahmed Ouyahiya told a cabinet meeting that the Algerian economic and financial system was protected from the worst of the fallout, in part because the country's stock market was not "fully integrated into the world financial markets".

This view was supported by the International Monetary Fund's (IMF) head of mission to Algeria Toujas-Bernat, who said on November 15 that the global economic crisis would have only minimal impact on Algeria, due to its limited exposure to the international financial markets. However, Toujas-Bernat did warn that a lack of economic flexibility and diversity and a dependence on energy exports for revenue could see a fall in state investments.

The government does not appear to share Toujas-Bernat's concerns. On December 13, Finance Minister Karim Djoudi told a press conference there would be no scaling back of state development projects, and that measures implemented by the government would absorb the short-term effects of the global downturn.

Some of these measures were included in the draft budget for 2009, approved in October. The government intends to boost employment and social support as well as inject liquidity into the economy, announcing a 6.3% increase in state spending to a total of $75bn. Along with completing major infrastructure projects aimed at modernizing the economy, officials said the additional expenditure would go towards providing subsidies for some basic commodities and increasing public service wages.

Other factors that will sustain Algeria through any slowdown in the global economy are its healthy foreign exchange reserves, which stood at around $133bn in October, as well as the government's successful efforts to reduce its debt load, which registered at $600m as of the end of August, according to figures from the Finance Ministry. Having factored in an oil price of just $37 per barrel for the 2009 budget as its revenue base, Algeria has the financial and economic strength to be optimistic about 2009. (OBG26.12)

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11.7 MOROCCO: 2008 Year in Review

The political stability and leadership that have long been a hallmark of Morocco's international presence have allowed the kingdom to sign a number of bilateral trade agreements in 2008. As noted by the Oxford Business Group, Morocco has been continuously expanding its network of trading partners in recent years, most notably with the 2004 Agadir Agreement and the 2006 US free trade agreement (FTA), but its export industries received a major boost when the EU granted Morocco "advanced status" in October. France was a particularly strong advocate for the kingdom during the negotiations and supplemented the accord with several bilateral accords in the fields of defense, infrastructure, development, transport and tourism.

In one of the most notable deals, France sold Morocco its first advanced European multi-mission frigate (FREMM), a warship identical to those in the French national fleet. France has also agreed to modernize and refit 25 Moroccan Puma helicopters and 140 armored vehicles.

The Franco-Moroccan bilateral relationship underpinned another international agreement in the kingdom's transport sector, following the provision of a $240m loan from France to help finance the construction of a tram system in Rabat. The task of developing and implementing the new light rail network has been assigned to France-based engineering firm Alstom and Colas, another French infrastructure group. France has also approved $117m in grants to the North African country to study the feasibility of a high-speed rail link between the port hub of Tangiers and Casablanca, Morocco's largest city. The grant follows the inking of a $3.13bn deal during French President Sarkozy's visit in 2007, which designated Alstom as the lead partner in the construction of both the high-speed rail network and the rolling stock.

In Morocco's tourism sector - one of the kingdom's biggest investment magnets - the French hotel group Pierre et Vacances signed a $409m agreement to begin operations in Morocco earlier this year, announcing its intention to bring an additional 10,000 beds online by 2013.

Tourism is a crucial industry in Morocco and the kingdom hopes to earn an additional $4.4bn in investment by 2010, in line with its Vision 2010 tourism development program. Projects so far include an expansion of hotel capacity to 250,000 beds (from 133.000 in 2006) and the construction of six new resorts as part of "Plan Azur" for the development of sustainable coastal tourism in Morocco. The resorts will be located at Larache, El Jadida, Agadir, Essaouria and Guelmim on the Atlantic coast and Saidia on the Mediterranean. Vision 2010 seeks to increase tourist arrivals to 10m by 2010, a goal that appears to be realistic given that 7.4m people came in 2007, and 2.5m came in the first five months of 2008, an 11% increase on the same period in 2007.

In a move that diverges from the development strategies of other Mediterranean countries, Morocco is also targeting domestic tourists under its Biladi Plan, and is reducing hotel costs to encourage overnight stays. The Biladi Plan, which aims to encourage domestic nationals to spend more, will build on the already-high levels of expatriate spending.

The real estate and tourism sectors have greatly benefitted from the large number of Moroccans who live abroad, with the former seeing a growing number of direct investments in property and the latter receiving increased spending from those returning to take holidays in their homeland. After Egypt, Morocco also receives more remittances than any other country in the Middle East and North Africa region. Some 3.3m Moroccans live abroad and remittances have averaged $2.6bn annually since 2003, according to the World Bank.

Remittances to the country from "Moroccans Resident Abroad" (MREs) take a variety of forms, and have bolstered growth in several areas of the economy. According to the Conseil D'ontologique des Valeurs Mobilieres (CDVM), the country's capital market authority, 58% of overseas investors in the Casablanca Stock Exchange (CSE) are Moroccan expatriates. Meanwhile, Morocco's Organismes de placement collectif en valeurs mobilieres (OPCVMs), or mutual funds, drew in $1.68bn from MREs in 2007 - representing 27.8% of total investments in the organizations. More broadly, remittances continue to play their traditional role of supplementing the income of expatriates' families in Morocco, and boosting foreign currency earnings.

Another sector that received increased international attention in 2008 was Morocco's energy sector. In a year of volatile oil prices, Morocco, who enjoys only modest reserves of its own, has been hit hard. The kingdom imports 96% of its energy requirements, which meant that the national oil bill rose sharply in 2008 - coming in at $1.1bn in the first quarter of the year, 69% higher than in 2007. As a result, Morocco has begun to pursue other energy options - including wind, solar and nuclear - as domestically-produced alternatives to oil and natural gas imports.

The government is aiming to have a tenth of the national energy balance and 20% of national electric production come from renewable sources by 2012, an impressive goal considering that the current level is less than 1%. Still, with a large and steady wind system and consistent sunlight, Morocco does have the potential to reach this ambitious goal and investment is increasing accordingly.

Morocco's drive to increase its renewable energy capacity has attracted Abu Dhabi National Energy Company, known as Taqa, which has bought into the country's main wind power firm Compagnie Eolienne du Détroit (CED). In June, Taqa, which is 75% owned by Abu Dhabi Water and Electricity Authority, signed a memorandum of understanding (MoU) with French renewable energy firm Theolia, for the development of wind power stations in Morocco. As part of the deal, Taqa took a 50% stake in Compagnie Eolienne du Détroit (CED), which is Theolia's majority-owned Moroccan subsidiary. Theolia and Taqa plan to jointly bid for the tender to construct and operate a 300 MW wind power farm near the coastal town of Tarfaya.

While a large portion of Morocco's FDI comes from France and the Gulf, North African and Asian countries are playing an increasing role in the kingdom's industrial sector, particularly in fertilizer and phosphates production. In May, Moroccan state-owned phosphate company Office Cherifien des Phosphates (OCP) signed a $1bn deal with Libya Africa Investment Portfolio (LAIP) for the construction of three phosphate derivative plants, local press reported. The factories are expected to produce phosphoric acid, ammonium hydroxide and fertilizers respectively. One is to be constructed in Libya, another in the phosphate-rich Jorf Lasfar region south-west of Casablanca, and the fertilizer plant will be located in one of the two countries after negotiation.

Just days before the LAIP deal, OCP signed a $600m agreement with Hanoi-based PetroVietnam Fertilizer and Chemical Joint Stock Company for the building of a diammonium phosphate (DAP) fertilizer plant, expected to open in 2011, with an output of between 660,000 and 1m tonnes. DAP is a soluble fertilizer produced from phosphoric acid and ammonia.

With the effects of the global financial crisis setting in, 2008's robust FDI growth will be difficult to sustain in 2009. The IMF expects FDI to equal 3.8% of Gross Domestic product (GDP) this year, up from 1.5% in 2004. However, the overall outlook for Morocco's economy remains positive. While GDP growth was curtailed to 2.7% last year due in large part to a contraction in agriculture, the government and IMF predict the economy will bounce back to 6.2% this year, which is arguably remarkable given the fact that Morocco's major export markets in Western Europe are experiencing slower growth while still facing the possibility of interest rate hikes to stave off inflationary pressures. (OBG26.12)

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11.8 PAKISTAN: Pharmaceuticals & Healthcare Industry for Q4 2008

Research and Markets (http://www.researchandmarkets.com) has announced the addition of the "Pakistan Pharmaceuticals and Healthcare Report Q4 2008" report to their offering.

In the Business Environment Rankings for Q408, Pakistan is once again ranked last out of the 14 markets assessed in the Asia Pacific region. While its business environment continues to be marred by low per capita healthcare and pharmaceutical spending, regulatory shortcomings (including strict pricing controls) and an unsettled political situation, the rapid population increase does offer some potential for pharmaceutical market growth. However, even this positive is overshadowed by the fact that public finances are not sufficient to support healthcare modernization if the population growth goes unchecked.

While the government has made efforts to shift some of the financial responsibility to the private sector, it is clear that such services remain out of reach for the majority of low-income and rural populations. In fact, according to the World Health Organization (WHO), around 423,000 people in Pakistan are presently in need of urgent healthcare. Flooding and violent unrest in the country have forced the people to relocate to temporary and overcrowded housing, leading to outbreaks of communicable diseases. Additionally, efforts to improve healthcare are likely to be derailed by unsustainable rates of population increase. The present situation where every woman is having 3.8 children on average is putting a strain on healthcare facilities, basic infrastructure as well as agricultural land. While Pakistan's prime minister is astute enough to realize that two children per woman is an overly ambitious goal, he recently unveiled a plan to reduce annual population growth from 1.80% to 1.55% over the next five years. Welfare schemes are to receive the necessary budgetary support, with a focus being placed on education.

In order to improve access to medicines for the poor, the government also began working on a new essential drugs list, although the current period of political uncertainty will delay its introduction until at least 2009. The publication, originally expected in October 2008, will contain only low-priced generics. The present National Essential Drugs List (NEDL) also includes patented products, which are unaffordable for most of the population. However, the list is likely to attract industry criticism, as both domestic and foreign producers continue to call on the government to allow a price increase, in the face of falling margins due to rising costs.

In the short term, the country will continue to face uncertainty regarding its political and economic environment. The economy has been buffeted by rising oil and food prices over the past year, resulting in a serious deterioration in the fiscal and current accounts, as well as rampant inflation and the contraction of foreign investment over the past few months. Stabilization of the situation would have an overall positive effect on Pakistan's pharmaceutical market, especially in terms of multinational activities, but in the immediate future, economic concerns will lead to decisions similar to the July 2008 ban on the import of Indian medicines, following protests by the local industry. (R&M24.12)

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11.9 TURKEY: Economy Leaves a Hard Year Behind, Expects New Hurdles In 2009

Politically and economically speaking, Turkey had a frustrating year in 2008, with the government's reform program losing pace as a result of fighting a court battle to avoid its removal from office, just as the effects of the global economic crisis began to set in.

In the biggest news story of the year, the country saw a senior prosecutor petition the Constitutional Court in March to have the ruling Justice and Development Party (AK Party) closed for allegedly seeking to undermine the country's secular regime.

On July 30, the court ruled, by the closest of margins, not to close the party or to ban 70 of its leading members, including Prime Minister Recep Tayyip Erdogan, from involvement in politics. The decision ended months of tension and uncertainty. However, the lost time in which much of the government's attention, and that of the markets, was focused on the court case could not be recovered, with the second half of the year seeing a general slowing of the economy.

Such is the extent of the current economic downturn that in November the administration announced it intended to apply to the International Monetary Fund (IMF) for a stand-by support package, with media reports saying the government would seek a new standby agreement worth $20-$25 billion. As the year drew to a close, however, no final agreement had been reached.

In late November, the government announced it was preparing a package of measures to ease the effect of the economic slowdown and stimulate growth. The steps included guaranteeing bank deposits of up to YTL 50,000, providing credit to small and medium size businesses and lowering some taxes. Again, as with the IMF deal, the details of most of the proposals in the package had not been finalized as of late December.

According to figures released by the state's statistics bureau in early December, Turkey's industrial output fell by 8.5% in October, the third month in a row production recorded negative growth, while in November the number of industrial plants in use dropped by a record 9.7% to just 72.9%, compared to the same month in 2007.

There could be an upside for Turkey from the global crisis. Inflation, which in November was running at an annual rate of 10.76% for consumer prices and 12.25% for wholesale, is expected to fall in the coming year as demand for both domestic and imported goods declines.

On December 11, Kursad Tuzmen, Turkey's state minister for foreign trade, said exports this year would reach an originally projected $125 billion, though he predicted this figure would contract by around 17% in 2009. Additionally, the minister said imports would decline by $50 billion next year due to lower energy and commodities prices, having totaled $205-210 billion in 2008.

Looking ahead, the nationwide municipal elections scheduled for the end of March 2009 could have a major impact on the economy. Though Erdogan's government has vowed to avoid populist policies and increased spending ahead of the polls, many political analysts are expecting to see boosted funding allocations and investments in key regions such as the Southeast, where the AK Party hopes to shore up its support.

The lead up to the March municipal elections could also see an increase in political unrest, violence and protests, which could shake confidence in the economy. In December, there were at least three bomb attacks targeting local AK Party branch offices, while there are concerns that the ruling party's efforts to wrest control of major municipalities in the southeast from the pro-Kurdish Democratic Society Party (DTP) could result in a bitterly contested campaign.

In any case, Turkey is probably facing a year of belt tightening in 2009, with the Organization for Economic Cooperation and Development (OECD) predicting 1.6% growth for the Turkish economy next year, well down on the 7% rate averaged over the past five years. Although the OECD projected a higher growth rate of 4.25% in 2010, that prediction is heavily dependent on the recovery of the global economy. For Turkey, wealth at home will rely on economic health abroad and the government's ability to manage the crisis.

Stocks plunge by almost 50%

The Istanbul Stock Exchange (IMKB) has also had a rollercoaster of a year, though since August the ride has been mainly downhill. Having opened the year above 55,000 points, the IMKB's National 100 Index slid to around 35,000 in early July, before rallying strongly to peak above 40,000 points in August, in part as a result of the Constitutional Court's ruling in favor of the AK Party. From that time onwards, the index has mainly been in retreat due to concerns over falling production, tighter credit and lower medium-term prospects for the economy. Towards the end of 2008, the National 100 was hovering at around 24,000 points, well under half its level when the year began.

Exports hit the brakes in last quarter

The expected drop in exports is already making itself apparent. In November, exports fell by 22% year-on-year, with the important textiles sector seeing overseas sales drop by 26.15%. Turkey's automotive sector also felt the chill winds of the international downturn, with a number of leading brands either reducing output or halting production for extended periods late in the year. Leading producer Ford Otosan reported a 31% drop in net profits for the third quarter, while other manufacturers also saw earnings plunge.

Most of Turkey's automotive capacity is geared for export, mainly to the euro zone. With much of Europe slipping into recession during the last quarter of 2008, exports slumped, falling by 37.9% year-on-year in November. Domestically, too, the industry is in trouble, with car sales down by 35% in October compared to the same month in 2007, in part due to a lack of credit finance. (Zaman28.12)

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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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