

Fortnightly - February 04, 2009

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1: ISRAEL GOVERNMENT ACTIONS & STATEMENTS

1.1 Netanyahu to Continue Policy of Tax Cuts to Stimulate the Economy

On 22 January at an annual conference of the Manufacturers Association of Israel, Likud chairman Benjamin Netanyahu stated that he will "dramatically" cut personal and corporate taxes if elected. Netanyahu said, "Over the course of four years, we will lower the top personal tax rate from today's 46% to a level of 35%, and we will lower the top corporate tax rate from 27% to only 18%." His comments were met with wild applause. Netanyahu added, "The tax cut will be spread over the entire term, and lead to everyone paying about 20% less than what they pay today". Netanyahu warned that

Israel's citizens don't understand how deep the economic crisis is and promised that his first goal, if elected as Prime Minister, would be to protect jobs, savings, and what he termed the economic health of companies. He outlined several steps in order to "brake, turn and takeoff". The steps, besides tax cuts, range from dealing with the credit crunch, to lowering the components of the government's expenses "electricity, water, ports and the Airports Authority". The implication was privatization and reform. (Globes 22.01)

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1.2 Netanyahu Presents Economic Plan: More Tax Reform

On 27 January, Likud chairman MK Benjamin Netanyahu said that the global economic crisis has already hit Israel and the process is accelerating. Launching the Likud's economic manifesto, Netanyahu said "we reverse the trend and put a brake on it and create places of employment." Flanked by three former Likud Ministers of Finance - Silvan Shalom, Prof. Yaakov Ne'eman and Dan Meridor, Netanyahu said, "Lowering taxes is the crucial component in reversing the trend - this is also good news for everybody below the tax threshold. We entered the crisis later than all the other countries because the governments here implemented various steps and reforms that improved Israel's situation. The reforms were made provide protection and enable the Governor to cut interest rates..." "Fischer is working in a responsible and decisive way, while understanding the storm which is approaching us. I welcome this and I am happy about it. I asked him to serve in the position because I knew his abilities would help us on a cloudy day and it's very cloudy at the moment." He concluded, "Our aim is to turn things around - to stop the slide and move to growth."

The manifesto that Netanyahu presented said, "The Likud will hold onto the Ministry of Finance after the elections, as well as the Ministry of Education. The economic policy will be set by me - there is no possibility that the prime minister will not be involved in setting economic policy during a time of crisis." (Globes 27.01)

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1.3 Israel's Interest Rate Cut To Lowest in History

On 26 January, Bank of Israel Governor Fischer slashed the benchmark interest rate by 0.75%, bringing it down to 1%, the lowest in Israeli history. The move, however, was not surprising given the bleak economic outlook predicted in the latest projection published by the central bank. A day earlier, the Bank of Israel said that the Israeli economy would contract this year, the first time since 2002. The projected 0.2% decline makes it among the most pessimistic of forecasts. The economy shrank in Q4/08 and is likely to continue contracting in the first half of this year, before "stabilizing" and resuming growth in the second half, the Bank of Israel said. The reduction of the interest rate is meant to stimulate the economy, and adds another half-point cut to the 2.5%age points since early October, according to sixteen economists polled by Bloomberg. The country's economy posted average growth of about 5% over the past five years before the pace began slowing in the second half of 2008. The Central Bureau of Statistics estimates GDP expanded 4.1% last year. Exports will drop 6.9% this year, while the recent 22-day action in Gaza will widen the budget deficit to 4.1% of GDP from 2.1% in 2008 and discourage tourism. Consumer spending will grow 1.1%, less than a third the 2008 pace and the slowest pace since 2003, while investment in machinery and equipment will decline 5.9%, after growing 4.1% last year. Israel will retain a current account surplus at about the same level as in 2008 at 2% of gross domestic product, the bank of Israel said, citing lower oil prices that will reduce its import bill. The jobless rate will remain unchanged in 2010 from 2009 while the budget deficit will narrow to 3.7% of GDP. (JP26.01)

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1.4 Fischer Says Israel Can Deal With the Crisis

On 27 January, Governor of the Bank of Israel Prof. Stanley Fischer was quoted by Globes as saying "I want to send the message that we're looking at reality in the eyes, and the message is that we can deal with this crisis." Fischer added, "We have a flow of dollars and euros because we sell more than we buy, which gives us stability on the financial side, which others lack." He cited Russia and South Korea as examples.

As for long-term inflation, Fischer noted that inflation was below the 3% inflation target ceiling between April 2005 and the summer of 2008. "This was our greatest achievement. People know that inflation is under control." Fischer added, "We'll continue to use other tools if necessary: quantity easing or credit easing, as they are called in the US. We'll continue to do whatever necessary to return to the middle of the inflation target range. Our scenarios suggest that more interest rate cuts are possible." He reiterated comments from earlier this month that a zero interest rate was possible. Fischer went on, "I don't know how low the interest rate will go but there is a policy of increasing liquidity within the financial system. The interest rate affects exchange rates. We're considering what to do next with regard to the purchases of dollars." (Globes 27.01)

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2: ISRAEL MARKET & BUSINESS NEWS

2.1 WikiAnswers.com Ranked Fastest Growing U.S. Domain in 2008

Answers Corporation, creators of the leading answer engine offering <http://www.Answers.com> and <http://www.WikiAnswers.com>, announced that according to analysis using comScore data, WikiAnswers' unique monthly visitor count in the U.S. grew 154%, to nearly 16.5m. This ranks WikiAnswers as the fastest growing domain in 2008, of the top 200 in the U.S. as measured by unique monthly visitors. "We continue to be excited by the rate at which the community contributes content to our unique wiki-Q&A platform," said Bob Rosenschein, Chairman and CEO. "Our goal is to build the world's largest and most useful Q&A database. We aim to cultivate a vibrant community and invest in the quality of answers generated by its members." Jerusalem based Answers Corporation owns and operates Web properties dedicated to providing useful answers in thousands of categories - Answers.com and WikiAnswers.com. The award-winning reference site Answers.com includes content on five million topics from over 180 licensed sources from leading publishers, including Houghton Mifflin Company, Barron's and Encyclopedia Britannica. Through the contributions of WikiAnswers' large and growing community, answers are constantly improved and updated over time. WikiAnswers was ranked by comScore as the fastest growing domain of the top 200, in the U.S. in terms of unique monthly visitors in 2008. (Answers28.01)

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2.2 Tefron Announces New Ticker Symbol on the OTC Bulletin Board

Tefron announced that it has been informed by OTCBB that the ticker symbol for its ordinary shares has been changed to TFRFF. The former symbol was TFRLF. 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, Abercrombie&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. (Tefron22.01)

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2.3 ECI Telecom Recognized by Frost & Sullivan for Commitment to IPTV Market

Based on its recent analysis of the Internet Protocol television (IPTV) access infrastructure market, Frost & Sullivan recognized ECI Telecom with the 2008 Global Frost & Sullivan Award for Product Differentiation Innovation. ECI has won this accolade for its Hi-FOCuS Multiservice Access Node (MSAN), which is deployed in leading IPTV carrier networks. The TR-101-compliant, Hi-FOCuS MSAN has hierarchically distributed MSAN architecture and enables Ethernet and IP traffic handling by bridging and routing engines. The Hi-FOCuS is among the handful of MSAN platforms on the market and the leading MSAN in IPTV Access supporting any mix of ADSL2+, VDSL2, SHDSL, NG-Voice emulation and simulation, as well as GPON and Ethernet fiber access. This is also ECI's 1Net proposition of smooth migration to NGN, while supporting legacy services and guaranteeing future services and solutions.

Frost & Sullivan's Best Practices Awards recognize companies in a variety of regional and global markets for demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service and strategic product development. Petah Tikva's ECI Telecom (<http://www.ecitele.com>) delivers innovative communications platforms to carriers and service providers worldwide. ECI provides efficient platforms and solutions that enable customers to rapidly deploy cost-effective, revenue-generating services. (Frost & Sullivan 27.01)

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2.4 BrightView Secures \$6 Million From Israel Cleantech Ventures & Hasso Plattner Ventures

BrightView has recently finalized a \$6 million A round of financing. Israel Cleantech Ventures (ICV) financed the company in mid 2008 and was joined thereafter by Germany's Hasso Plattner Ventures (HPV) to co-lead the round.

Founded by an experienced, highly-motivated and creative team, Petah Tikva's BrightView (<http://www.brightview-sys.com>) focuses on the production technology of photovoltaic solar-cells. Leveraging on the company's breakthrough patented technology, BrightView's solutions are designed to enable solar-cell manufacturers to maximize production efficiency. Implementing BrightView's solutions will lower the \$/w production costs and will therefore accelerate the solar industry's roadmap towards grid parity. BrightView - Perfecting solar energy production. Established in 2006, Israel Cleantech Ventures (<http://www.israelcleantech.com>) is the first venture capital fund dedicated to providing value added growth capital to exceptional entrepreneurs building Israel's energy, water and environmental technology leaders. The fund has \$75m under management and to date has invested in nine portfolio companies. (BrightView27.01)

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2.5 IRM Leader ECTel to Expand Presence in the UK and Singapore

ECTel has expanded its business operations in the UK and Singapore, upgrading its customer interaction abilities and local support for its growing customer base in Europe and Asia Pacific. The expansion of the company's business operations in the UK supports ECTel's strategy to strengthen its presence in the region and operate closer to existing and potential clients. Singapore, one of the most developed business centers in Asia Pacific, will serve as a gateway to the region and position ECTel to meet the region's growing demand for the company's innovative IRM solutions. With a presence in over 50 countries, ECTel's world-leading revenue assurance products provide operators with modular, scalable solutions to fight revenue leakage and fraud in order to ultimately increase the bottom line. ECTel's revolutionary Integrated Revenue Management (IRM) platform incorporates multi-faceted solutions to address all revenue threats by providing operators with a 360-degree view of all revenues and costs, equipping them with proactive solutions for increased efficiency and operability. Rosh Ha'Ayin's ECTel (<http://www.ectel.com>) is a leading global provider of Integrated Revenue Management (IRM) solutions for communications service providers. A pioneering market leader for nearly 20 years, ECTel offers carrier-grade solutions that enable wireline, wireless, converged and next generation operators to fully manage their revenue and cost processes. ECTel serves prominent Tier One operators, and has more than 100 implementations in over 50 countries worldwide. (ECTel 28.01)

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2.6 Frutarom Completed the Acquisition of the Business of UK Company Oxford

Haifa's Frutarom Industries (<http://www.frutarom.com>) has completed the acquisition of the assets and business of the UK Company Oxford Chemicals for consideration of approximately \$12m. The acquired activity 2007 sales were approximately \$14m. The acquisition will be financed through a long-term bank loan. Oxford develops, produces and markets specialty ingredients for the flavor and fragrance industry and is a leading company in its field. 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. (Frutarom 02.02)

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3: REGIONAL PRIVATE SECTOR NEWS

3.1 NBK Believes Kuwait Economy Will Contract 4% This Year

The Kuwaiti economy began to slow in the middle of last year and will contract by 4 this year, National Bank of Kuwait (NBK) announced. The decline in real GDP will be led by the oil sector, but without government stimulus the non-oil sector could slow by up to 2%. Business tax receipts compiled by the Ministry of Finance show acceleration in growth into July last year followed by a sharp deceleration, which coincides with a peak in the Kuwaiti stock market. Money supply in Kuwait, the world's seventh largest oil exporter, shows the same pattern. By the H2/08h the outlook and official priorities changed and the Central Bank of Kuwait relaxed its monetary stance. However, the money supply slowed further, confirming that overall activity in the Kuwaiti economy was slowing as well. Consumer loans excluding borrowing for the purchase of securities has fit the same pattern of a gradual slowdown that accelerates in the fourth quarter of the year. (AB28.01)

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3.2 Qatar Construction Sector Maintains Cement Demand

The building boom in Qatar and the need for cement and other building supplies is continuing despite the economic downturn. However, Qatar was one place in the world where construction was continuing. The demand for cement is even expected to increase this year when a number of government backed developments get underway. Cement consumption in Qatar grew by 24.34% in 2007/8 at 3,380 kg per capita per annum, as per Qatari data. However, a major regional cement surplus could be foreseen as other countries in the Gulf cancelled construction projects. By 2010 with little or no market to absorb the excess volume given that world production of cement is expected to reach 3 billion tonnes. In response to the unprecedented demand the cement industry in the Arab world had embarked on massive capacity expansion drive with some 100 new cement plants with a designed capacity of 150 million tonnes are currently under construction. (AB28.01)

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3.3 Consultancy Firm Moves Staff from Dubai to Saudi

A British consultancy and construction firm has relocated a number of staff from its Dubai office to work on projects in Saudi Arabia, due to the construction slowdown in the emirate. Mace, a global firm with offices across the GCC, is using its existing staff from Dubai to staff its offices in Saudi Arabia and France, however no total figures are available. Mace is working on a number of projects in Dubai which have been affected by the credit crunch including the Asia Asia hotel at

Bawadi. A number of projects in Saudi Arabia and Qatar are continuing ahead despite the credit crunch. (AB 26.01)

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3.4 EyeNet & DDIT Sign Distribution Agreement

Lemont, Illinois' EyeNet Enforcement Systems, a leader in Automatic License Plate Recognition (ALPR) technology and integrated information systems, has reached an exclusive distribution agreement with Developed Dimension Information Technology (DDIT), a registered Saudi company, to distribute EyeNet products in Saudi Arabia and other GCC countries. The EyeNet system uses video cameras to scan the road for vehicles, automatically read license plate numbers and check the plate number against police department databases. It then alerts the officer when there is a match to security alerts, stolen vehicles and emergency situations. Developed Dimension Information Technology (DDIT), a private sector enterprise founded in 2004, offers services and solutions using state of the art technology and know-how in Global Positioning, GIS, remote sensing equipment and fleet management equipment throughout the Persian Gulf region. (EyeNet02.02)

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3.5 Era Selected for Three Multi-Lateration Surface Surveillance Systems in Turkey

Fairfax, Virginia's Era Systems Corporation, a subsidiary of SRA International, has been awarded a contract by the General Directorate of State Airports Authority (DHMI) to deploy its surface multi-lateration systems at three airports in Turkey. The airports include Ataturk International Airport in Istanbul, one of the 40 busiest airports worldwide, Antalya Airport, one of the fastest growing airports worldwide, and Esenboga International Airport in Ankara, Turkey's fourth busiest. Era's solution will utilize its MSS multi-lateration system as well as Squid vehicle tracking units to provide air traffic controllers with complete surface situational awareness in all climatic conditions. The systems will be integrated into an advanced-surface movement guidance and control system (A-SMGCS) provided by HITT, the prime on the contract. Era is the world leader in proven next generation surveillance technologies and has more than 100 customers in over 40 countries and has been selected in the vast majority of recent worldwide procurements. Acquired by SRA in July 2008, Era Systems Corporation provides advanced surveillance technologies for the air traffic management, airport operations, military and security markets. (SRA27.01)

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4: ISRAEL MACRO-DEVELOPMENTS

4.1 Defense Ministry Reportedly Ends Golan Wind Farm Opposition

Globes believes that the Ministry of Defense has lifted its opposition to the construction of wind farms on the Golan Heights at the request of Minister of National Infrastructures Ben-Eliezer. Ben-Eliezer asked Minister of Defense Barak to intervene in the matter, after the IDF unofficially declared its opposition to planned wind farms on the Golan. The Golan Heights is considered one of the best locations from the point of view of economic viability for wind farms for the generation of electricity. The Ministry of National Infrastructures was worried that if the Ministry of Defense did not change its position, some of the planned wind farms on the Golan would not be built for years. Mei Golan Wind Energy Development (1988) Ltd., which is in talks to create a partnership with AES Corporation (NYSE: AES), is planning the largest wind farm project on the Golan, a 400-megawatt project of 20 wind farms. A few months ago, the Public Utilities Authority (Electricity) extended Mei Golan's conditional license to produce electricity by another year, while the company pursues its negotiations with AES. Mei Golan is also in talks to buy land for the placement of the wind turbines. (Globes 02.02)

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5: ARAB STATE & PAKISTANI DEVELOPMENTS

5.1 Iraq To Issue First Post-Saddam Bonds

Iraqi Finance Minister Jabor announced on 28 January that Baghdad will soon issue its first new government bonds since the fall of dictator Saddam Hussein, for \$5b. The bonds will be guaranteed by the government of Iraq through the huge assets Iraq owns, which reach to tens of billions dollars, guaranteed by the country's crude and gas reserves. Iraq, which gets nearly all its revenues from oil exports, had a large budget surplus in 2008 when oil prices were high, but faces a deficit in 2009 despite revising its spending plans down to \$62b from \$80b as oil prices fall. The government is in need of funds to pay for investment, not least to boost oil exports and increase future revenues. Although about \$66b of the country's Saddam-era debt has been forgiven, it still owes billions to its Arab neighbors, some of which it disputes. (Various28.01)

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5.2 GCC Sees More Project Delays in 2009

More projects are expected to be delayed or cancelled in the Persian Gulf region this year as banks feel the full pinch of the global financial turmoil, according to the director for project and corporate finance at Abu Dhabi's state investment firm Mubadala. The six-year oil boom which fizzled out in late 2008 has made project finance a top activity for banks in the Gulf region, which witnessed an avalanche of infrastructure and energy projects. But financial woes have triggered project cancellations and delays in the world's top oil-exporting region. In Bahrain, the \$2.2b Al Dur power and water project jointly owned by Kuwait's Gulf Investment Corporation and France's GDF Suez has been delayed due to tight international lending criteria. Bankers said the deals that will be done this year will typically have a much shorter tenure than before the credit crisis, and will have lower volumes. This, however, is also due to the current decline in projects' capital costs, as commodity prices are falling and as contractors facing stiff competition over fewer projects lower prices.

HSBC said estimated that capital costs will come down between 40 and 50% off their peaks last year, prompting sponsors of mega projects to wait for the second half of the year to benefit from lower costs. Bankers also said project finance in the region needs to attract investors to bond issues and bring in local money if the market is to rebound. A constraint to the project finance market in the region has been a lack of project bonds. Most bonds issued in the Gulf region are bought by banks, which effectively makes them a loan instrument rather than a fixed-income instrument. The project finance market in the Gulf region also remains dominated by Western banks that cut down on their investments in emerging markets when the credit crisis unfolded. (Reuters 27.01)

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5.3 UAE to Pump More Liquidity To Boost Lending

The United Arab Emirates plans more moves to restore liquidity to its financial sector. Sheikh Sultan Bin Khalifa Al Nahyan, member of the Abu Dhabi Executive Council, was quoted in several Gulf newspaper saying that the UAE government would pump more liquidity into the banking sector to thaw lending. The Sheikh was confident that the UAE government would inject more cash into banks to enable them to return to their previous financing activities for economic projects and the real estate. It was not clear when and how any possible liquidity boost might take place. The Abu Dhabi executive council is the local executive authority of the Gulf Arab emirate, which assists the ruler in executing policy. The UAE central bank started a dirham-dollar swap facility last month and, along with the finance ministry, has already launched \$32.67b of bank funding facilities. (Various27.01)

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5.4 Pakistan's Pharmaceuticals & Healthcare Report Q1/2009

Research and Markets (<http://www.researchandmarkets.com>) has announced the addition of the "Pakistan Pharmaceuticals and Healthcare Report Q1 2009" report to their offering. For this quarterly update, BMI has extended its forecast for the Pakistan pharmaceutical market through to 2013. Over the next five years we expect sales of patented products, generic drugs and over-the-counter (OTC) medicines to increase from \$1.8bn to \$3.6bn. To reduce sub-standard medicines reaching the market, the government announced in June 2008 that it was planning to establish the Drug Regulatory Authority. With start-up funds of \$55m, the body will issue production licenses and monitor the quality of medicines. While foreign firms can ride out difficulties in Pakistan by drawing on resources from head office, local players are seeing their margins evaporate and contemplating going into the red. The main problem is the rising cost of production. Electricity tariffs have been increasing, the cost of raw materials - mainly sourced from China - has grown, wage bills have expanded and transportation charges are escalating. Relief cannot be found through exports either because the rupee has devalued against the dollar. The Pakistan Chemists Retailers Association (PCRA) categorically opposed pharmaceutical companies' demand to raise drug prices in November 2008, calling it 'ruthless cruelty to be meted out to the poor patients'. It also demanded the establishment of a commission to review all previous rises in drug prices allowed by the government. To combat meningitis and pneumonia, Pakistan launched a Hib (pentavalent) vaccine scheme in July 2008. The preventative agent will be administered free of charge to every newborn child as part of the Expanded Program on Immunization, which saw vaccination drives against polio, measles, diphtheria, pertussis and tetanus in 2007. The operating climate is deteriorating. In October 2008, Pakistan's Daily Times quoted 'well-informed sources' within Pakistan's pharmaceutical industry that had seen confidential papers circulated by Bristol-Myers Squibb, which stated that the company is seeking a buyer for its local operations. (R&M29.01)

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6: TURKISH, CYPRIOT, GREEK & BULGARIAN DEVELOPMENTS

6.1 Turkey's CPI Rises 0.29%, PPI up 0.23% in January

On 3 February, the Turkish Statistical Institute (TURKSTAT) announced that the consumer price index (CPI) rose 0.29%, and the producer price index (PPI) increased 0.23% in January. Turkish CPI hit 9.5% for the 12 months of 2008, as the annual PPI rate fell to 7.90%. The highest monthly increase was 3.23% in the consumer price index for miscellaneous goods and services by main expenditure groups, the TURKSTAT said. The highest increase was 18.67% in the index for housing compared with the same month of the previous year, it also added. The Turkish Central Bank recently revised down its average 2009 year-end inflation expectation to 6.8% due to a fall in energy prices and the continuation of weak demand. The central bank reduced interest rates 3.75 percentage points in three months as inflation indicators eased and growth slowed sharply. (TURKSTAT03.02)

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6.2 "Medium Landing" Seen for Turkish Economy

A Merrill Lynch analyst said that unlike the devastating 2000-2001 economic crisis, the current global financial crisis will have a "medium-landing rather than a hard-landing" in Turkey. Speaking in Istanbul on 27 January, Merrill Lynch's Europe, Middle East & Africa section analyst Hamzaoglu predicted negotiations between Turkey and the International Monetary Fund, or IMF, would be finalized in February. He said the fact that Turkey might face a recession in 2009 was not a surprise. An IMF deal would not change the ongoing economic trends for Turkey, but it would soften the process, said Hamzaoglu. Turkey's economy has been hit by both the decline in production and a contraction in export markets, he said. "The considerable decline in capacity usage was a result of the high amount of inventories in Europe. This may result in a rise in unemployment. Non-agricultural unemployment rate may increase to 16%." The decline in energy prices would affect Turkey's current account deficit positively, said Hamzaoglu. Turkey expects the current account deficit, which was \$42b last year, to decline to \$21b in 2009. (Hurriyet28.01)

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6.3 US & Cyprus to Sign Science & Technology Agreement

The United States and the Republic of Cyprus will sign a Science and Technology Cooperation Agreement on 5 February at the Ministry of Finance offices in Nicosia. Minister of Finance Stavrakis will sign on behalf of Cyprus, and U.S.

Ambassador Frank Urbancic will sign on behalf of the United States. The agreement aims to strengthen scientific and technological capabilities, broaden and expand relations between the extensive scientific and technological communities in both countries, and promote scientific and technological cooperation in areas of mutual benefit for peaceful purposes. Events related to the signing have been organized in Cyprus, including seminars on nanotechnology, water management, marine archaeology, high-performance computing and cognitive neuroscience. (FM03.02)

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6.4 Cyprus to Receive €20 Million from EU Recovery Plan

On 28 January, the European Commission proposed the allocation of €20m to Cyprus and Malta as part of a €5b investment in the EU's energy, internet broadband infrastructure and Common Agricultural Policy (CAP). The investment is a part of the EU recovery plan endorsed by the European Council in December 2008 and covers the years 2009-2010. Cyprus and Malta will be allocated €20m for the implementation of local energy projects while they will participate in the EU funding for high-speed internet and the CAP. The Commission has proposed the allocation of €1.75b for gas and electricity interconnectors, €500m for offshore wind projects and €1.25b for carbon capture and storage projects across the EU. It is also proposing a €1b investment extending and upgrading broadband internet in rural communities. The EU is aiming for 100% broadband access by 2010, but currently around 30% of its rural population lacks broadband access. A further €500m has been proposed to tackle new challenges identified in a "health check" of the Common Agricultural Policy, including climate change, renewable energy and water management. (FM29.01)

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6.5 Greek Legislation to Support Year of Renewable Energy Sources

Greek Development Minister Hatzidakis has named 2009 as Year of Renewable Energy Sources. The Development Ministry said recent legislative changes will speed up the increased use of renewable energy sources (RES) by cutting red tape and introducing incentives, as Greece remains among the European Union laggards in adopting green power. The new law will allow for the faster implementation of investment plans in the sector and pave the way for more photovoltaic systems and their connection to a central grid. Other changes include the introduction of a program allowing for the placement of solar power units on roofs belonging to households and businesses. According to government data, Greece is closing the RES gap with its EU peers in a trend it expects to continue. Interest shown by investors in Greece, one of the sunniest and windiest countries in the EU, has been strong but bureaucracy has been cited as a key reason for holding up investment plans. Figures from the European Commission show that 6.9% of the energy consumed in Greece came from RES versus the EU average of 8.7%. By 2020, Greece needs to meet 18% of its total power needs with RES, according to a goal set by Brussels. Applications for some 42 GW in RES development have been filed by investors and are awaiting approval by state bodies. Greece is optimistic it will reduce this backlog soon. (Kathimerini28.01)

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6.6 Greek - Bulgarian Pipeline on Schedule

Construction of a trans-Balkan pipeline to transport Russian crude oil from Bulgaria to Greece will be complete by 2012, in line with original plans, according to Greek Development Costis Hatzidakis. Greece, Bulgaria and Russia signed a deal on building the Burgas-to-Alexandroupolis pipeline, which aims to bypass the traffic-clogged Turkish Bosphorus Strait. According to industry officials, the global crisis and falling oil prices may prompt a rethink of major oil projects due to changing economic fundamentals. Construction of the project had previously been set to start in late 2008 or early 2009. Technical studies, including the project's possible impact on the environment, need to be completed before the company finalizes finance details with banks, according to Hatzidakis. (Kathimerini27.01)

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6.7 Bulgaria Signs Natural Gas Supply Deal With Azerbaijan

Bulgaria has agreed to import an annual 1 billion cubic meters (BCM) natural gas from Azerbaijan as of 2010 in a bid to reduce its dependence on Russian gas supplies. The country is totally dependent on Russian gas, as the country covers 92% of Bulgaria's total natural gas needs. Bulgaria's Bulgargaz and Azeri gas company SOCAR will soon begin technical talks on the parameters of the deal. The Azerbaijani gas is planned to feed the Nabucco natural gas pipeline, which will deliver a total of 31 BCM gas to Europe. The countries participating in the €7.9b project are Turkey, Bulgaria, Romania, Hungary, Austria, and Germany. The 3,300 km-long Nabucco pipeline will transit gas to the European Union from the Middle East and Asia. Consortium partners are OMV AG (Austria), MOL Nyrt. (Hungary), Transgaz (Romania), Bulgargaz (Bulgaria) and Botas (Turkey). RWE (Germany) and Gaz de France (France) might be involved. (Reporter27.01)

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6.8 Bulgaria Parliament Backs Reboot of Shut Reactors over Financial, Gas Crises

On 23 January, the Bulgarian Parliament decided that the government must consider all the different opportunities for restart of two of the shut reactors at the Kozloduy Nuclear Power Plant. The Parliament's decision says that this should be done in cooperation with the European Commission, and that the measure is supposed to serve as a compensation for Bulgaria's losses from the recent natural gas shortage crisis caused by the Russia-Ukraine dispute, and from the ongoing global financial crisis. Units 3 and 4 of the Kozloduy Nuclear Plant were shut on January 1, 2006, in accordance with Bulgaria's EU accession treaty. The plant has enough processed fuel to restart one of the 440 MW reactors for a period of five months. The produced electricity is supposed to generate profits of BGN 100-130 M. (TSW24.01)

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6.9 Bulgaria Highlights Role In Nabucco

Agreements with Nabucco suppliers for 141b cubic feet of gas annually places Bulgaria as a key partner to the project, the Bulgarian president said. Bulgarian President Parvanov added, following a summit in Budapest on the planned Nabucco gas pipeline, that his country has a major role to play in the project because of the principal gas agreements with Azerbaijan, Egypt and Turkmenistan. The planned Nabucco pipeline would transit 2,051 miles through host nations Bulgaria, Hungary and Romania to bring gas from Caspian and Middle Eastern suppliers to Europe. The project received new focus following the disruptive gas row between Russia and Ukraine. A dispute over arrears and 2009 contracts disrupted gas supplies to Europe, leaving customers scrambling to find alternative gas routes as 80% of the Russian gas bound for Europe travels through Ukraine. The parties to the project signed a declaration of support at Budapest for conferences in Bulgaria, a potential Nabucco host, later in 2009. (UPI29.01)

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7: GENERAL NEWS AND INTEREST

*ISRAEL:

7.1 Tu B'Shevat Observed on 8/9 February

On the evening of 8 February and 9 February, Tu B'Shevat will be observed. Tu B'Shevat is a minor Jewish holiday in the Hebrew month of Shevat that marks the "New Year of the Trees." Tu B'Shevat is one of four "New Years" mentioned in the Mishnah. Tu B'Shevat is the new year for the purpose of calculating the age of trees for tithing. See Lev. 19:23-25, which states that fruit from trees may not be eaten during the first three years; the fourth year's fruit is for G-d, and after that, you can eat the fruit. Each tree is considered to have aged one year as of Tu B'Shevat, so if you planted a tree on Shevat 14, it begins its second year the next day, but if you plant a tree two days later, on Shevat 16, it does not reach its second year until the next Tu B'Shevat. Customs include planting trees and eating dried fruits and nuts, especially figs, dates, raisins, carob and almonds. In Israel, the flowering of the almond tree, which grows wild around the country, coincides with Tu B'Shevat. The name Tu B'Shevat is derived from the Hebrew date of the holiday, which occurs on the 15th day of Shevat. "Tu" stands for the Hebrew numerals "tet vav" which is 15.

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7.2 Israel to Go to the Polls on 10 February

On 10 February, Israel will go the polls in a general election to choose a new Knesset. According to the latest polls, the Likud – led by Benjamin Netanyahu – will emerge as the largest single party. However, it is unclear what

kind of coalition will be formed, as the fortunes of many parties hangs in the balance. Netanyahu himself has said that he wants to establish the widest possible national unity government with the parties on the right, balanced by Labor and others on the left. The ruling Kadima party, led by current Foreign Minister Tzippi Livni, is now very much the underdog and it is expected that they will suffer significant losses in the vote. Labor, led by former prime minister Ehud Barak, may also suffer an unprecedented trouncing, as the party may be eclipsed by Avigdor Lieberman and his right wing Yisrael Beiteinu party. Forecast to garner some 16 Knesset seats, it may even place ahead of Labor as the country's third largest party. In total, there are 34 parties contesting the 2009 election. The only thing that is certain is that nothing is for sure until after the polls close on the 10th.

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*REGIONAL:

7.3 Snow in the UAE

On 26 January, a blanket of snow covered a mountain in a part of the UAE, a rare phenomenon for the desert Gulf country. Al Jees mountain, 5,700 feet (1,737 meters) above sea level and 25 kilometers (15 miles) northeast of Ras Al Khaimah city, was covered in 20 centimeters (eight inches) of snow. Although limited snowfall was recorded on the mountain some years back, for the first time the peak of the mountain was fully covered in snow. Local authorities said temperatures plunged to minus 3 degrees Celsius (26.6 Fahrenheit). The emirates of Abu Dhabi and Dubai also had heavy rains, in a spell of rare chilly weather in a desert state where summer temperatures can reach 50 Celsius (122 Fahrenheit). (WAM26.01)

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8: ISRAEL LIFE SCIENCE NEWS

8.1 IOPTima: Successful Results in Novel Glaucoma Treatment Using Laser-Based Therapy

IOPTima successfully completed and analyzed the results of its first 6 month follow-up period of human clinical trials. IOPTima's novel, laser-based technology enables eye surgeons to perform a simple and safe surgery and reduce internal eye pressure without penetrating the eye membrane. Elevated internal eye pressure, or intra-ocular pressure (IOP), is a key cause / risk factor of glaucoma, which in many cases causes the deterioration in the visual field and ultimately can lead to blindness without proper treatment to reduce and control IOP. The procedure, utilizing IOPTima technology, was performed with local anesthesia on an out-patient basis, and was demonstrated in these trials to be both safe and efficacious as a means to reduce IOP. The study "Qualified Success" rate, defined as reducing internal eye pressure below 18 mmHg, including cases where some post-operation medications were used, was of 93.5%. The average number of medications per patient dropped from baseline of 2.28 to 0.27 at 6 months. The post-operation adverse side effects reported were minor, as compared with contemporary glaucoma treatments. IOPTima intends to further monitor the patients for at least one year post-operation. The study is a multi-national clinical trial aimed at obtaining regulatory approval for Europe. In addition, IOPTima has initiated discussions with the FDA aimed at US regulatory approval.

Ramat Gan's IOptima (<http://www.bio-light.co.il/portfolio/?page=4>) focuses on the discovery, development and commercialization of innovative and proprietary technologies for the treatment of glaucoma – a common eye disease that leads to loss of sight. The company has developed an innovative non-penetrating, easy-to-use system, based on CO2 laser technology, for the treatment of glaucoma. IOptima believes that its innovative new system will offer significant advantages over traditional therapies for glaucoma, such as simplicity, higher efficacy, lower risks to the patient, fewer side effects and lower costs. (IOptima26.01)

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8.2 KAHR Medical Raises \$500,000 from Hadasit Bio-Holdings and OCS

KAHR Medical, a Hadasit Bio-Holdings (HBL - <http://www.hbl.co.il>) portfolio company, has raised \$500,000 from HBL and the Office of the Chief Scientist of the Ministry of Industry, Trade and Labor of Israel (OCS). KAHR Medical's drug development pipeline is built around the 'trans signal converter proteins (TSCP)' technology, a novel drug technology invented by Professor Mark L. Tykocinski and licensed from the University of Pennsylvania. The financing will support further development of KAHR Medical's product pipeline. TSCP drugs are unique, because they integrate two functional sides within the same molecule, unlike conventional biologicals that only have one functional side. These two active sides allow TSCP drugs not only to block or induce cell signals, as conventional drugs do, but also to convert signals sent from one cell to another, which is especially beneficial for the manipulation of the immune system required for the treatment of autoimmune disease. KAHR Medical has raised \$1.5 million to date from HBL and the OCS. The company plans to begin an external financing round before the end of 2009 to support its clinical program. Jerusalem's KAHR Medical (<http://www.kahr-medical.com>) is a portfolio company of HBL, the publicly traded holding company of Hadasit, the technology transfer company of Hadassah Medical Organization. (KAHR28.01)

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8.3 Teva Announces Approval of Generic Risperdal Oral Solution

Teva Pharmaceutical Industries announced that the U.S. FDA has granted final approval for the Company's Abbreviated New Drug Application (ANDA) to market its generic version of Janssen's antipsychotic agent Risperdal (Risperidone) Oral Solution, 1 mg/mL. Shipment of this product has commenced. As the first company to file an ANDA containing a paragraph IV certification for this product, Teva has been awarded a 180-day period of marketing exclusivity. Teva Pharmaceutical Industries (<http://www.tevapharm.com>), headquartered in Israel, is among the top 20 pharmaceutical companies in the world and is the world's leading generic pharmaceutical company. The Company develops, manufactures and markets generic and innovative human pharmaceuticals and active pharmaceutical ingredients, as well as animal health pharmaceutical products. (Teva30.01)

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8.4 Pluristem Therapeutics' cGMP Facilities Approved for Clinical Manufacturing in Europe

Pluristem Therapeutics announced that the Company has received approval (in the form of a declaration) from Biotec Services International Limited, stating that Pluristem's Investigational Medicinal Product (IMP), PLX-PAD, is manufactured in accordance with standards of Good Manufacturing Practice (GMP), equivalent to those applied in the EU. Biotec Services is an international clinical trials supply company providing release services of the IMP into the European Union by a Qualified Person (QP). Upon IND and IMPD clearance by the regulatory authorities, Pluristem plans to initiate clinical trials in Europe and in the U.S.A., administering PLX-PAD to patients afflicted with critical limb ischemia, which has not responded to traditional medical or surgical interventions. Haifa's Pluristem Therapeutics (<http://www.pluristem.com>) is a bio-therapeutics company dedicated to the commercialization of unrelated donor-patient (allogeneic) cell therapy products for the treatment of several severe degenerative, ischemic and autoimmune disorders. The Company is developing a pipeline of products, stored ready-to-use, that are derived from human placenta, a non-controversial, non-embryonic, adult stem cell source. (Pluristem 02.02)

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8.5 Enzymotec Completes New Investment Round of \$11 Million

Enzymotec successfully completed Series B1 investment round, raising \$11m. The round was led by the Company's existing shareholders (Galam, Ofer Hi-Tech Investments and Millennium II Materials Technology Fund) and by a new investor – Arancia International. In addition, the Company is finalizing a new \$7m line of credit (of which \$3m were already received) from a leading Israeli bank. Enzymotec was named among the top 12 fastest-growing technology companies in Israel chosen at the Deloitte's 2008 Israel Technology Fast 50 Program. Migdal HaEmek's Enzymotec (<http://www.enzymotec.com>) is a biotech company that develops and produces innovative, lipid-based biofunctional solutions for orthomolecular medicine, dietary supplements and advanced infant nutrition. The company acts in three main categories: cognitive improvement, cardiovascular disease prevention and balanced nutrition for babies and children. (Enzymotec 02.02)

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8.6 Compugen Discovers Biomarker Candidate for Diagnosis of Ovarian Cancer

Compugen disclosed the discovery and experimental verification of CGEN-327, a novel molecular biomarker candidate for the diagnosis of ovarian cancer. CGEN-327 is a previously unknown splice variant of the HE4 (Human Epididymis Protein 4) gene, which is a known biomarker for ovarian cancer. Patent coverage for this discovery is being pursued by Compugen. During the past few years, Compugen selected and began evaluating a number of novel molecules, which in addition to CGEN-327, were predicted by the discovery platforms to have medical and commercial opportunities in the diagnosis or treatment of ovarian cancer. These activities have resulted in the granting, earlier this month, of a patent to Compugen covering several of these other novel molecules. Although Compugen did not announce the granting of this patent, it was publicly disclosed by the US Patent and Trademark office and reported in a number of publications.

Tel Aviv's Compugen (<http://www.cgen.com>) is a leading drug and diagnostic product candidate discovery company. Unlike traditional high throughput trial and error experimental based discovery, Compugen's discovery efforts are based on in-silico (by computer) prediction and selection utilizing a growing number of field focused proprietary discovery platforms accurately modeling biological processes at the molecular level. The resulting product candidates are then validated through in vitro and in vivo experimental studies and out-licensed for further development and commercialization under various forms of revenue sharing agreements. (Compugen03.02)

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8.7 Covance Opens New Office in Israel

Princeton, NJ's Covance, one of the world's largest and most comprehensive drug development services companies, announced the opening of a new clinical development office in Tel Aviv, Israel to further enhance the company's global presence. Covance has been providing clinical trial support in South-Eastern Europe (Greece & Turkey) and the Middle East (Israel & Egypt), with Israel being a strategic location since 1995. The new Tel Aviv office serves to center operations and support staff across both regions. The new office and expanded staff will help Covance expedite the execution of clinical studies and build strategic relationships with investigators and sites in countries well known for their excellent potential to contribute to global clinical trial conduct. Covance offers clinical development services, including Phase I, II and III clinical trial support in more than 55 countries which include emerging markets across Central and Eastern Europe, Asia Pacific and Latin America. With a full-suite of services to take a drug through all stages of drug development, Covance offers extensive clinical and therapeutic expertise, global reach, proactive project management and strong investigator site relationships to consistently deliver high quality data on time. (Covance03.02)

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9: ISRAEL PRODUCT & TECHNOLOGY NEWS

9.1 Wines of Israel to Host First Ever Comprehensive Tasting of Israeli Wines in New York

On 3 February, Wines of Israel hosted the first ever extensive tasting of Israeli wines in New York City for members of the wine trade and media. The Grand Tasting, which took place at the Prince George Ballroom, featured more than 100 premium Israeli wines from 20 of Israel's most celebrated wineries. The Grand Tasting will include wines from various regions throughout Israel including the Galilee, Golan Heights, Shomron, Samson, Judean Hills and the Negev. The event is being organized by the Israel Economic Mission to North America and the Israel Export & International Cooperation Institute. Israeli wine has been growing exponentially in the U.S. market over the past two years. According to the Gomberg-Fredrikson Report, Israeli exports to the U.S. increased by 30% in volume and 43% in value by the end of 2007 and another 2% in volume and 11% in value towards the end of 2008. Israeli wines have also received top ratings and critical acclaim from the wine industry's most revered publications such as Wine Spectator, Robert Parker's Wine Advocate, and Tom Stevenson's Wine Report, among others. Many International wine competitions including the Citadelles du Vin International in Bordeaux, the International Wine Challenge in London, and the Vinalies Internationales competition in Paris have bestowed prestigious prizes and awards on Israel's top bottlings. (Wines of Israel 22.01)

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9.2 Milestone Order for Silicom: Mainstream Sale to Tier-1 Server Manufacturer

Silicom announced that one of the world's three largest server manufacturers has placed a \$1.1m order for Silicom's Multiport Gigabit Ethernet Server Adapters for use in a specific project. In accordance with the customer's requirements, the adapters have been customized to fit the specific implementation environment, and are scheduled to be delivered during the next two months. Kfar Saba's Silicom (<http://www.silicom.co.il>) is an industry-leading provider of high-performance server/appliances networking solutions. The Company's flagship products include a variety of multi-port Gigabit Ethernet, copper and fiber-optic, server adapters and innovative BYPASS adapters designed to increase throughput and availability of server-based systems, WAN Optimization and security appliances and other mission-critical gateway applications. (Silicom22.01)

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9.3 OpTier Named 2009 Hot Companies Finalist by Network Products Guide

OpTier has been named a 2009 Hot Companies finalist by Network Products Guide. The company was selected from a global industry analysis of information technology vendors which included established large and mid-size organizations and new start-ups. OpTier has advanced to the finalist stage based on the "4Ps" selection criteria--products, people, performance and potential. The coveted 2009 Hot Companies list is comprised of companies in all areas of information technology including security, wireless, storage, networking, software and communications. OpTier was the first company to bring BTM software to the market in 2002. To date, OpTier has raised nearly \$100m in funding and has been praised by the analyst community for its unique approach to business service management. The company's CoreFirst product enables some of the world's largest and most successful organizations to harness the power of business transactions. OpTier software solutions dynamically link business services to IT infrastructure, assuring service delivery and optimizing IT resources. CoreFirst is a critical addition to organizations adopting virtualization and service oriented architectures. OpTier (<http://www.optier.com>) harnesses the power of real business transactions with its unique Business Transaction Management (BTM) software solutions. Their CoreFirst product assures that business transactions flow smoothly within IT applications and infrastructure without bottlenecks or outages, for improved end-user experience and reduced cost. (OpTier 22.01)

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9.4 Commtouch Unveils New Secure GlobalView URL Filtering Solution

Commtouch formally announced its new GlobalView URL Filtering offering for security vendors and service providers. This innovative solution leverages Commtouch's many years of messaging security and OEM partnership experience,

plus its unique Data Cloud architecture, to provide highly accurate, secure protection against growing Web threats while enabling safe, compliant browsing. Traditional URL filtering solutions face significant challenges when addressing the enormous growth and fast-paced changes of the internet, including the wide range of user-generated content and the increasing trend of malware hidden within legitimate sites. Commtouch Data Cloud technology processes billions of transactions each day from diversified global data sources and leverages the internet "cloud" to overcome the size and performance limitations of other types of URL filtering technology. Because of the massive centralized database in the cloud, lightweight local clients can offer a tailored solution for individual machines by receiving and storing only the data customers need when they need it.

Netanya's Commtouch (<http://www.commtouch.com>) is the source of proven messaging and Web security technology for scores of security companies and service providers, founded on a unique cloud-based datacenter approach. Commtouch's expertise in building efficient, massive-scale security services has resulted in its patented technology mitigating Internet threats for thousands of organizations and hundreds of millions of users in more than 100 countries. Commtouch technology automatically analyzes billions of Internet transactions in real-time to identify new threats as they are initiated, protecting email infrastructures and enabling safe, compliant browsing. The unmatched suite of Commtouch security offerings is based on patented Recurrent Pattern Detection (RPD) and GlobalView technologies, which work together in a comprehensive feedback loop and offer equally effective protection for all languages and formats. (Commtouch27.01)

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9.5 RTE Deploys ECI Telecom's Utility Optimized Carrier Grade Solution for Mission-Critical Applications

ECI Telecom has been selected by RTE, company in charge of the transport of electricity in France, for a multi-million dollar project to transport mission-critical applications in the carrier's high-voltage power environment. With approximately 100,000 km of high and extra-high voltage lines and 36 cross-border lines, RTE is responsible for operating, maintaining and developing the French electricity transmission network. ECI's BroadGate platform will contribute to support the carrier's nationwide utility network, Europe's largest, addressing the carrier's unique requirements for high quality of service and carrier-class capabilities in the provisioning of real-time and mission-critical services throughout the network. The new frame agreement marks ECI's growing leadership in the global utilities market, including major network deployments in the Former Soviet Union, Europe, China and India. ECI's provides an integrated, tailor-made solution to utility operators comprising of the company's XDM and BroadGate Multi-Service Provisioning Platforms (MSPP), key elements in the company's 1Net business framework. Petah Tikva's ECI Telecom (<http://www.ecitele.com>) delivers innovative communications platforms to carriers and service providers worldwide. ECI provides efficient platforms and solutions that enable customers to rapidly deploy cost-effective, revenue-generating services. Founded in 1961, ECI has consistently delivered customer-focused networking solutions to the world's largest carriers. The Company is also a market leader in many emerging markets. (ECI27.01)

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9.6 Commex Introduces Vulcan SE HT6210 HTX-Based Content-Aware 10GbE Network Adaptor

Commex Technologies announced the availability of its Vulcan SE HT6210 content-aware dual-channel 10GbE Network Interface Card (NIC) for the HP ProLiant DL785 G5 server. Commex Vulcan SE HT6210 NIC (powered by the Commex

Thunder network controller) connects the network via two ports of 10GbE, directly to the multiple processing cores on the HP ProLiant DL785 G5 server. Commex Vulcan SE with content-aware technology is designed to enable a wide range of network-centric applications. With Vulcan SE, customers can now choose to deploy 10GbE content-aware multi-processing systems based on the scalability and leading-edge performance of the HP ProLiant DL785 G5 server. Many customers are choosing to take advantage of the I/O and throughput capabilities of the Vulcan SE content-aware NIC, while others are focusing on eliminating networking bottlenecks and reducing system costs.

Tel Aviv's Commex Technologies (<http://www.commextech.com>) is a fabless chip company dedicated to providing intelligent, high-performance solutions for x86 multicore systems. Commex develops and sells in-server content-aware solutions, including the Vulcan family of 10GbE smart Network Interface Cards (NICs), powered by the Commex Thunder network controller. The company's innovative patent-pending technology leverages hardware classification and action engines, to deliver multicore-scalable performance to server OEMs and system designers. (Commex26.01)

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9.7 Partner Selects Jungo's OpenRG Software for New SmartBox Gateway

Jungo and Partner Communications, a leading Israeli mobile telecoms operator, have reached an agreement that sees Jungo integrating its OpenRG residential gateway software into Partner's new SmartBox home gateway, part of the operator's innovative new home communications offering. OpenRG software delivers Partner Communications a range of capabilities as well as a platform for introducing and launching new value added services. With Jungo's remote upgrade capability, an operator can load customized middleware onto deployed gateways from almost any vendor, and therefore can introduce new services without the need to replace its installed base. OpenRG also provides a suite of functionalities to substantially reduce operational costs. These include transparent fault-finding, and user-focused troubleshooting that helps minimize support calls. OpenRG is a hardware-agnostic gateway software platform which gives operators maximum freedom in selecting gateway hardware and thanks to its remote upgrade capability, OpenRG provides full flexibility for future service enhancements. This saves operators substantial costs when expanding and upgrading existing and future gateway designs.

Jungo (<http://www.jungo.com>), with an R&D center in Netanya, is an NDS Group company, is a provider of broadband home value-added service solutions. Jungo's flagship products, OpenRG (residential gateway software platform) and OpenSMB (small and medium business gateway software platform) enable broadband operators to deliver managed revenue-generating services to the digital home. (Jungo27.02)

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9.8 Elbit Systems Awarded \$40 Million Israeli Contract Valued to Supply Mini-UAV

Elbit Systems was awarded an approximately \$40m contract by the Israeli Ministry of Defense to supply the Skylark I LE mini-UAVs for all Israel Defense Forces (IDF) Ground Forces battalions, including training and logistics support. The project is to be delivered over the next few years, subject to the IDF's requirements and procurement process. Elbit

Systems' Skylark I LE was selected by the IDF following an extensive evaluation process, including operational ability to comply with the demanding requirements of the IDF, based on its extensive operational experience. During its recent Operation "Cast Lead", the IDF used its already operational Skylark mini-UAV family, in gathering vital intelligence and enhancing collaboration and connectivity between the different operating forces.

Elbit Systems (<http://www.elbit.co.il>) is an international defense electronics company engaged in a wide range of defense-related programs throughout the world. The Company, which includes Elbit Systems and its subsidiaries, operates in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence surveillance and reconnaissance (C4ISR), unmanned air vehicle (UAV) systems, advanced electro-optics, electro-optic space systems, EW suites, airborne warning systems, ELINT systems, data links and military communications systems and radios. (Elbit26.01)

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9.9 Wavion Introduces Market First 5.8 GHz Beamforming Base Stations

Wavion announced the release of an expanded Base Station product portfolio. The company released a new omnidirectional base station in the 5.8 GHz band, and 2 sector base stations in the 2.4GHz band and 5.8 GHz band. The new WBS-5800 Base Station, operating in the 5.8 GHz band provides the same exceptional characteristics as the WBS-2400. It is based on Wavion's spatially adaptive beamforming technology, and leverages six radios using an array of six omnidirectional antennas. The WBS-5800 provides extended range, superior Non-Line-of-Sight coverage, high throughput and robust connectivity to any off-the-shelf standard 802.11a based CPE. Moreover, its enhanced interference resilience capability is critical in the current and growing level of congestion in the 5.8 GHz band. Wavion is also introducing two Sector Base Stations, WBS-2400 Sector in the 2.4 GHz band and WBS-5800 Sector in the 5.8 GHz band. Both Sector Base Stations are based on Wavion's unique and powerful spatially adaptive beamforming technology, leveraging three radios using an array of three directional antennas covering a 120 degrees sector. Wavion Sector Base Stations can be deployed in a stand-alone configuration covering a 120 degrees sector or in a similar configuration to cellular deployment with 3 co-located sectors covering 360 degrees. The latter configuration offers 3 times higher capacity in a given area.

Yokneam's Wavion Wireless Networks (<http://www.wavionnetworks.com>) is transforming the unlicensed broadband wireless access market with powerful solutions based on beamforming technology. Wavion provides end-to-end solutions including access, backhaul, CPEs, NMS, service provisioning and billing. With superior coverage and greater capacity, Wavion's solutions enable service providers, communities and enterprises to deliver high quality service for urban and rural applications while reducing CAPEX and OPEX by more than 50%. (Wavion28.01)

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9.10 Nakashima Propeller Selects Voltaire To Expedite Ship Propeller Design

Voltaire announced that Nakashima Propeller has implemented Voltaire Grid Director switches as the interconnect for a

clustered system to speed up the design and manufacture of ship propellers. Nakashima Propeller is among the world's major suppliers of ship propellers. The system helps save seven days of computing time along with unnecessary costs for computational fluid dynamics (CFD) simulations. The use of Voltaire InfiniBand switches for the system's cluster interconnect greatly improves the efficiency of the overall system as well as the software's performance, allowing for deeper and faster analysis and decreasing the design time needed for new propellers. Voltaire Grid Director switches use 20 Gb/second InfiniBand technology, which provides high bandwidth and very low latency to enhance the infrastructure and application performance. The cluster runs simulations of cavitation flow around marine propellers using SC/Tetra CFD software developed by Software Cradle, Co., Ltd.

Herzliya's Voltaire (<http://www.voltaire.com>) designs and develops server and storage switching and software solutions that enable high-performance grid computing within the data center. Voltaire refers to its server and storage switching and software solutions as the Voltaire Grid Backbone. Voltaire's products leverage InfiniBand technology and include director-class switches, multi-service switches, fixed-port configuration switches, Ethernet and Fiber Channel routers and standards-based driver and management software. (Voltaire29.01)

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9.11 Mellanox Delivers End-to-End Connectivity for Europe's Supercomputing Clusters

Mellanox Technologies announced that its ConnectX 40Gb/s InfiniBand adapters, 40Gb/s InfiniBand switches and cables will provide the high-performance, low-latency interconnect foundation for the new compute clusters being built at Forschungszentrum Juelich in the German state of North Rhine-Westphalia, one of the largest interdisciplinary research centers in Europe. The new cluster is being built through an innovative alliance between Mellanox, Bull, Intel, Sun Microsystems, ParTec and the Juelich Supercomputing Centre; the first such collaboration in the world. The new best-of-breed system, one of Europe's most powerful, will support advanced research in many areas such as health, information, environment, and energy. It consists of two closely coupled clusters, JuRoPA, with more than 200 Teraflop/s performance, and HPC-FF, with more than 100 Teraflop/s. The latter will be dedicated for the European fusion research community. Yokneam's Mellanox Technologies (<http://www.mellanox.com>) is a leading supplier of end-to-end connectivity solutions for servers and storage that optimize data center performance. Mellanox products deliver market-leading bandwidth, performance, scalability, power conservation and cost-effectiveness while converging multiple legacy network technologies into one future-proof solution. For the best in performance and scalability, Mellanox is the choice for Fortune 500 data centers and the world's most powerful supercomputers. (Mellanox29.01)

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9.12 RADCOM Boosts Omni-Q Performance With HP Technology

RADCOM announced the adoption of HP technology to support the distributed architecture of RADCOM's network service assurance solution. This partnership with HP contributes to RADCOM's strategy of providing the market's most scalable solution together with lowered costs and improved return on investment (ROI). With the latest technologies and services, such as IMS and increasing call, data and other communication options, the need for higher capacity monitoring solutions has emerged. Service assurance providers must provide higher performance solutions while also meeting the pressure to improve ROI. The distribution of RADCOM's system to multiple-server architecture contributes to a more cost-effective solution that performs at increased levels of power. Tel Aviv's RADCOM

(<http://www.RADCOM.com>) develops, manufactures, markets and supports innovative network test and service monitoring solutions for communications service providers and equipment vendors. The Company specializes in next-generation Cellular as well as IMS, Voice, Data and VoIP networks. Its solutions are used in the development and installation of network equipment and in the maintenance of operational networks. The Company's products facilitate fault management, network service performance monitoring and analysis, troubleshooting and pre-mediation. (RADCOM28.01)

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9.13 ECI Telecom Selected to Manage Transmission Network for SMART Communications

ECI Telecom announced that Smart Communications (SMART), the largest wireless services provider in the Philippines, has awarded ECI a two-year managed services contract for its nationwide transmission network. SMART is looking to ECI to manage its increasingly complex network, to ensure high availability and improved network performance. The agreement follows a decade-long relationship between the two companies for the delivery of network equipment solutions, supporting SMART's nationwide transmission backbone, and is a strong proof-point of ECI's 1Net framework. 1Net underscores ECI's commitment to providing operators beyond equipment-based solutions, to include turnkey programs and professional and managed services, offering them the highest level of support as they transition to next-generation networks. Under the agreement, ECI will provide SMART with multi-vendor network management services for the operator's transmission Network Operations Center (NOC), including 24/7 network surveillance, fault management and maintenance.

Petah Tikva's ECI Telecom (<http://www.ecitele.com>) delivers innovative communications platforms to carriers and service providers worldwide. ECI provides efficient platforms and solutions that enable customers to rapidly deploy cost-effective, revenue-generating services. ECI's 1Net framework defines their focus on facilitating their customer's optimal transition to Next-Generation Networks. This is based on the unique combination of innovative and multi-functional networking equipment extending from the access to the core of transport networks, fully integrated solutions and a full suite of professional managed services. As a partner for growth, with 1Net, ECI delivers the highest level of cost-effective support and flexibility for carriers today and in the future, resulting in improved time to market for services and offerings, reduced total cost of ownership and increased business performance. (ECI03.02)

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9.14 Nexperience Provides GSMA's Mobile Innovation Members with Access to Mobile Handsets

Nexperience has partnered with the GSM Association (GSMA) to provide the GSMA's Mobile Innovation (MI) members with ten hours of its Handset Cloud service, free of charge. Using the Nexperience Handset Cloud service, GSMA's MI members located anywhere in the world will be able to access, via the internet, a comprehensive range of the latest mobile handsets. MI members can use the Nexperience handsets to develop, test, deploy and monitor their mobile applications and services. Furthermore, MI members can use the service to showcase and promote their latest mobile technology innovations to the mobile ecosystem, end-users and the business community. GSMA project teams and their partners will also use the Nexperience Handset Cloud service to test and demonstrate GSMA initiatives. Nexperience enables mobile operators, developers and content providers to ensure the quality of their products while significantly reducing time-to-market, costs and logistical efforts. Through Nexperience's web-based user interface users can quickly

and easily install their mobile applications onto a wide range of the latest handsets. Then, the user simply uses the phone in the same way a real-life user would to verify that the applications or services work properly and display correctly on the phone. Additionally, through the service, users can automate standard testing tasks and collaborate with each other for application performance verification, problem detection and troubleshooting, as well as to promote their applications to potential customers. Petah Tikva's Nexperience (<http://www.nexperience.com>) significantly reduces the complexity and cost of developing, deploying and maintaining mobile applications and content across devices, networks and geographies. (Nexperience 02.02)

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9.15 SysAid Customer Service Software Speeds Response Times for SMEs

Ilient announced the availability of SysAid CSS (Customer Service and Support) – a SaaS-based (software as a service) solution uniquely designed to address customer relationship management (CRM) operations. As an extension of the company's flagship product, SysAid IT, which is used by more than 47,000 organizations globally, SysAid CSS similarly enables nimble and intuitive support operations, affordable for any business structure. As the industry's first free and on-demand customer service and support solution, SysAid CSS provides a comprehensive toolkit for tracking and resolving issues, increasing client response times and lowering organizational costs. Through a Web-based user interface, SysAid CSS allows customer service providers and their clients to receive feedback on submitted requests quickly with e-mail integration, self-service portals and Web form integration. With its robust feature set and highly customizable applications, service requests and processes are streamlined seamlessly across the organization. Or Yehuda's Ilient (<http://www.lient.com>) is a leading provider of software solutions for Information Technology (IT) and Customer Service and Support (CSS) environments. Through its packaged software solutions, mainly sold online, Ilient enables customer service and support professionals to manage tasks with greater ease and efficiency. (Ilient03.02)

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10: ISRAEL ECONOMIC STATISTICS

10.1 Israel's Industrial Exports Fall Sharply

On 28 January, Israel's Central Bureau of Statistics announced that exports fell by 4.7% in Q4/08, an annualized drop of 20.3%, after falling by an annualized 15% in Q3/08. Exports by all industrial segments fell, except for low technology, which increased by 4%. Exports by mixed-low technology industries (mining and quarrying, minerals, rubber and plastics, and basic metals and metal products) plummeted 54% in Q4/08. Hi-tech exports, a central driver of the Israeli economy, fell by 12%, and mixed high-tech exports (chemicals, machinery, electrical equipment, and transport equipment) fell by 14.3%. Trade and services proceeds also fell in Q4. Retail trade, an indicator of domestic consumption, fell by 1.2% in October-November 2008, after falling 4% in August-September. Sales at retail chains (which account for a third of all retail trade) fell by 1.5% in Q4, the first decline since the Second Lebanon War in the summer of 2006. The slowdown is also affecting imports. Imports of raw materials (excluding diamonds and fuel) fell 17.7% in Q4/08, after falling 5% in Q3/08. (CBS28.01)

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10.2 Israel's January Car Sales Pace At 7-Year Low

The vehicle industry predicts sale of 9,000-11,000 vehicles in January 2009, less than half the sales in January 2008. If the current rate of vehicle sales lasts through the year, it will mean 120,000-130,000 sales altogether - a seven-year low. An examination by Globes found that fewer than 6,500 vehicles were registered in the first three weeks of January. Industry sources expect a surge in the final week of the month, amounting to a few hundred vehicles, which have been stuck in importers' inventories for more than 12 months, and by law must therefore be registered by the importers. Vehicle industry sources note that while Operation Cast Lead affected vehicle sales, the real problem is very low sales to fleet operators, because of the credit crunch. (Globes 29.01)

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10.3 Israel's Unemployment Rate Remains At Lowest Level in 20 Years

On 20 January, the Central Bureau of Statistics announced that Israel's November unemployment rate for stood at 5.9%, unchanged from the revised figure released for October. The CBS also reported that Israel's economic growth declined to an annual figure of 1.8% in H2/08, from 4.9% growth during H1/08. Manpower Israel was quoted by the Jerusalem Post that demand for employees in Israel fell 6.8% in December from the month before and 19.1% from a year earlier to its lowest level since 2004. Demand for engineers and others employed by technology companies dropped 9%, it said, basing its estimate on advertisements for employees published in the printed press. Israeli unemployment fell in the first five months of last year from 6.4% in January, before stabilizing at 6% from May, figures showed. It dropped to a revised 5.9% in October. (CBS20.01)

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11: In Depth

11.1 ISRAEL: Challenges Mounting - Downgrading Growth Forecasts

Mr. Tefvik Aksoy at Morgan Stanley (<http://www.morganstanley.com>) wrote that the impact of the ongoing global slowdown and challenges in financial markets had been taking their toll on Israel's growth. Various macro indicators point to a noticeable slowdown in growth in 4Q08, which is likely to linger for at least a couple more quarters in 2009. Following an average 5% growth rate in the past 20 quarters, we expect that the real growth rate had declined to 0%Y in 4Q08. This would bring the overall growth rate to 3.7%Y, which would constitute the slowest pace since 2003.

On the back of the recent growth forecast downgrades by our US and European economics teams, as well as the weakness in incoming data on economic activity in Israel and uncertainties surrounding the timing of fiscal policy-making, we are lowering our real GDP growth rate forecast for 2009 to 0%Y. We are also downgrading our 2010 growth rate to 3.4%Y from 4.9%Y previously.

A Lifeline from the Finance Ministry?

Recently, the Finance Ministry declared that a program to guarantee \$1.6 billion in borrowing by the commercial banks would be introduced, which is expected to improve the capital base and help increase overall private lending. Essentially, these state guarantees might enable banks to raise capital and even provide a bigger base for lending according to the Finance Ministry. It is too early to predict if the plan will succeed, but if the program helps to ease the burden of the credit crunch even marginally, it might raise the upside risks to our growth forecasts, especially looking into 2010.

Export Growth to Remain Under Pressure

Exports constitute some 45% of Israel's GDP and remain one of the key drivers of growth. After a robust rise in exports over the past few years, the ongoing decline in external demand finally started to show itself as the yearly growth rate of Israeli exports turned sharply negative. Since around 35% of exports are geared towards the US and some 30% to the EU, the anticipated weakness in growth in these countries suggests that at least the external component of growth is likely to be muted in 2009. In line with the anticipated pick-up in growth activity in the US and the euro area in 2010, we are also envisaging a recovery in Israel (albeit a relatively modest one).

Contributing significantly to overall growth between 2003 and 2008, exports are expected to provide only a marginal help in 2009 and then improve noticeably in 2010 as long as the external backdrop permits. A similar change is expected in imports, especially surrounding the weakness in commodity prices (mainly energy). Hence, the contribution of net exports might be close to zero in 2009 but turn positive once again next year.

State-of-the-Economy Composite: Weakening Fast

In December, the composite state-of-the-economy index published by the Bank of Israel dropped by 1%, on top of the weakening witnessed since last July. The overall decline in the index reached some 3% since the peak of last summer, and this had been a clear sign of the ongoing easing in the growth rate, in our view. The main weakness behind the composite index had stemmed from a broad-based decline in industrial production and exports as well as the softening in trade and services revenues.

Inflation Is Likely to Benefit from the Slowdown

Inflation had been fairly volatile in Israel over recent years. On the back of rising food and housing prices coupled with buoyant domestic demand, the Bol had been facing serious challenges in attempting to bring inflation inside the price stability band of 1-3%. Despite the sharp drop in economic activity, commodity and food prices in 2H08, the Bol failed to achieve the price stability target perhaps because of the deliberate choice of pre-empting the anticipated weakness in the economy. Essentially the Bol cut the main policy rate by a total of 250bp in 2008, most of which took place in the last quarter. Hence, headline inflation rose to 3.8%Y in 2008 from 3.4%Y in 2007 after seeing a peak of 5.5%Y in September.

In line with our growth rate downgrade as well as the ongoing weakness in commodity prices, we are lowering our CPI inflation forecasts for 2009 and 2010. We now expect inflation to enter the price stability band of 1-3% by mid-2009 and we predict that it will stay inside it during the rest of the year as well as in 2010. Our year-end forecasts for inflation now stand at 1.1% in 2009 and 1.4% in 2010.

Policy Rates: Further Room to Cut

In our view, inflation will not be an issue in the near future, especially in the absence of an external shock (such as a commodity price reversal). The policy rate that stands at 1.75% had been the lowest on record and, given the absence of demand pressures, we believe that there is further room to ease. Especially considering that the US fed policy rate is expected to remain near zero during 2009, the interest rate differential also justifies cuts by the Bol, in our view. We expect the central bank to ease rates further by 50bp at the next policy meeting, possibly followed by another 50bp in the coming months.

In case the general elections scheduled for February 10 see a rapid formation of a government and the budget for 2009 is passed with a relevant fiscal stimulus package attached, the Bol might choose to remain on the sidelines, in our view. However, the deteriorating growth prospects are likely to take their toll on tax revenues, leading to a budget deficit possibly exceeding 4% of GDP in 2009. Recall that the current official working assumption of growth for 2009 still stands at 3.5%, which envisages a budget deficit of 1% of GDP. Clearly, the current circumstances necessitate an overall revision of these assumptions and targets, in our view, but this might not materialize until after a government is put in place in late 1Q. In Israel, the budget deficit had been declining steadily since 2004 and nearly reached a balance in 2007. In 2008, however, the fiscal performance had been showing signs of weakening, especially in 4Q, such that the headline deficit reached some NIS15.2 billion (around 2.1% of GDP). In our view, the fiscal prospects in 2009 remain challenging, which might also place a cap on the extent of monetary easing that the Bol might adopt. (MS21.01)

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11.2 IRAQ: Politics Show Sectarians Lose Out

Over 14,000 candidates ran for 440 seats in Iraq's provincial election on 31 January. Although it will probably take over a week for the full results to be confirmed, there are some indications of the likely results. Parties allied to the prime minister, Nouri al-Maliki, appear to have performed strongly, as have a number of secular nationalist or locally-focused blocs, while sectarian parties appear to have lost out, particularly the Islamic Supreme Council of Iraq (ISCI) and the Iraqi

Islamic Party (IIP) - respectively the dominant Shia and Sunni parties until now, in both provincial councils and the national assembly.

The last provincial elections four years ago - the first since the US liberation, run in parallel with polls for an interim national assembly - were heavily skewed by both a boycott of Sunni Arabs (as an expression of opposition to the US-led occupation, and in particular to the devastating US assault on Fallujah) and by the dominance of a handful of parties that had operated in exile as opposition to the regime of Saddam Hussein, particularly those with a strong sectarian identity. Anecdotal results suggest a change on both of these fronts.

Sunni voting surge

In Anbar province, which is almost entirely inhabited by Sunni Arabs, the turnout was estimated at 40 - 60%, compared with just 2% in the 2005 provincial elections, and a similar increase in Sunni representation appears to have occurred around the country. A key race in this regard is Nineveh province, populated mostly by Sunni Arabs, but which has been governed until now by a council with three-quarters of its members drawn from Kurdish parties as a result of the 2005 boycott. Initial results suggest a big win for al-Hadbaa, a newly formed local party (taking its name from a famous curved minaret in Mosul, the provincial capital) headed by a Sunni Arab, Atheel al-Nujaifi - but with apparent backing from Mr. Maliki (a Shia). Al-Hadbaa campaigned on a platform calling for the removal of Kurdish peshmerga forces from the province and Mr Nujaifi has claimed that his party secured around 60% of the vote. US officials said anecdotal evidence points to a win of about that magnitude.

It is also indicative that an indigenous party such as al-Hadbaa appears to have picked up much of the support from Sunnis in Nineveh, at the expense of the IIP, which the Iraqi newspaper Az-Zaman - based on what it claimed were preliminary results leaked from the electoral commission - reported to have come in third in Nineveh after the Kurdish list. More significantly, the same report put the IIP at 3rd in Anbar behind not only a tribal coalition representing the Awakening movement (the US-backed Sunni militias which defeated al-Qaeda out of Anbar), but also the National Dialogue Front of Salah al-Mutlaq, which is largely composed of Sunnis but has consistently opposed sectarianism. Mr. Mutlaq's party apparently also came first in Diyala and Salah ad-Din, the other Sunni-majority provinces. Another secular nationalist list, headed by the former prime minister, Iyad Allawi, had the broadest appeal. Although it is not thought to have come first in any province, it may have secured second places in Baghdad, Basra and Salah ad-Din.

Maliki leads

The unofficial preliminary results suggest the strongest showing came from the State of Law list, backed by Maliki, securing first place in Baghdad, Basra, Babil, Najaf and Maysan provinces. These results suggest that Maliki's Daawa party has surged ahead of ISCI - which until now controlled seven provincial councils - and he may have attracted support from some non-Shia who approved of the strongman image he cultivated in 2008 in dealing with both domestic security and in negotiations with the US. This is a remarkable turnaround as Maliki was chosen as prime minister in 2006 as a weak compromise candidate, and Daawa was considered the least influential of the main Shia parties. Muqtada al-Sadr, the charismatic Shia cleric who has spoken out most vocally against the US opposition, chose not to formally field candidates in the elections, although a list of independent candidates that he has backed appears to have secured second places across much of the south, suggesting he is still a force to be reckoned with.

Faraj al-Hadari, the head of Iraq's electoral commission, told a news conference on 1 February that the turnout was

around 51% of the 15m registered voters, a reasonable if not resounding result. Although this was lower than the 56% who voted in the first national polls four years ago, local elections usually attract lower turnouts in most countries. The election day itself was relatively peaceful, at least by the low standards Iraq has come to expect. Initial figures from Iraq Body Count suggest that at least 11 were killed on the day, although it is not clear if any were killed in relation to the election itself. There were sporadic efforts to scare off voters, for example three mortar shells landed near to a polling station in Tikrit, although no one was hurt. That said - and although casualties of violence in January numbered around 200, representing the lowest monthly toll since the US-led liberation - six candidates for the election were among those killed, including three last Thursday.

More elections ahead

The final verified results may differ slightly from the preliminary orders mentioned above. However, all anecdotal evidence suggests that the general landscape has changed in the ways indicated. The changes also mean that, once the seats have been allocated—including those reserved for women and ethnic minorities - some interesting and unexpected coalitions may need to form to secure majorities on the provincial councils and to appoint governors. Looking further ahead, national elections are due before the end of the year, although no date has yet been formally scheduled. Until now Iraqi politics appeared to be deadlocked in horse trading (and bullet trading) between a small group of sectarian parties. Those dynamics will not vanish, but if the provincial results are replicated at a national level, there seems to be a possibility for a much richer debate in the Arab-majority areas of Iraq at least.

However, the three provinces of the Kurdistan Regional Government did not hold elections on 31 January, nor did the contested province of Kirkuk. When and if they do, the two main Kurdish parties are expected to retain their dominance in their home patch. In Kirkuk, unfortunately, there is no sign yet of any unifying local movement that might end the polarization there between Arabs, Kurds and Turkomen. With the US beginning to withdrawal and al-Qaida severely diminished, the key question is whether Iraq will be able to find a peaceful and democratic solution to the dispute in its most diverse province. (EIU02.02)

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11.3 QATAR: Industrious Emirate

Qatar's long standing policy of diversifying its economy is bearing fruit, with the country's industries making greater contributions to Gross Domestic Product (GDP), increasing their share of export earnings and offering employment opportunities.

As observed by the Oxford business Group, directly or indirectly, most of Qatar's industrialization process is dependent on the country's massive reserves of natural gas - the third largest in the world. Gas either provides the power source used to fuel much of Qatar's industrial plants or serves as the raw feedstock for industries such as the petrochemical, plastics and fertilizer sectors.

The government began pursuing a policy of industrialization soon after the emirate started large-scale oil exports in the mid-1970s, setting up joint ventures with foreign partners to establish facilities for steel and petrochemical production, with other industries being launched in subsequent years. The success of the industrialization policy can be seen in the performance of the Industries Qatar (IQ), a holding group formed in 2003. Some of the country's main industrial producers have been brought under IQ, including Qatar Steel; Qatar Fertilizer Company (QAFCO), the Gulf region's largest producer of fertilizers; Qatar Fuel Additives Company (QAFAC), which produces methanol and methyl tertiary-butyl-ether; and Qatar Petrochemical Company (QAPCO).

The group's profits topped \$18bn in 2007, which is more than the combined total of the next three highest revenue non-energy firms in Qatar and IQ has total assets approaching \$90bn. Expansion plans are set to see this increase to \$144bn by 2010.

Petrochemical production remains one of the sector's strongest performers. Early last year, Energy Minister Abdullah bin Hamad Al Attiyah said Qatar's annual petrochemicals output was expected to reach 18m tonnes in 2012, which firmly puts the country amongst the biggest producers of petrochemical products in the world. As part of that commitment to growth, QAPCO has announced plans for a \$1.7bn expansion program to increase ethylene and polyethylene output, having commenced operations at a new \$220m ethylene plant at Mesaieed.

IQ's plans for expansion go far beyond the petrochemicals sector, with Qatar Steel having also announced plans to almost double production by 2012, building on its current capacity of 1.14m tonnes of steel billets and 832,000 tonnes of steel bars. Though the construction sector in many Gulf states is experiencing a slowdown, analysts expect the impact of the global economic crisis to be lesser in Qatar, where there is still high demand for residential, business and manufacturing properties, as well as the government's own long-term infrastructure program.

While Qatar has ample supplies of gas to support its growing industrial base, it is heavily reliant on imports of other raw materials to feed production. Companies such as Qatar Steel and Qatalum, the joint-venture aluminum producer set to begin operations at its \$4.8bn smelting plant at Mesaieed late this year, will have to rely on overseas suppliers for ore. The cost of these materials will push up Qatar's import bill, though with much of the final product from both firms destined for export, these costs will be more than offset by revenue.

While the industrial sector in Qatar represents huge opportunities for investment, there is a slight concern that new ventures could be slowed down in the increasingly bearish global market. Qatar's industries may suffer from a slowdown in foreign direct investment (FDI) in the short-term, due to the financial crisis, limiting financing and credit provision, and possibly forcing companies to scale back their expansion programs. Still, this should remain a short-term matter as the fundamental economic factors underpinning Qatar's industries remain sound. With existing capacity and new developments planned, Qatar's industries are well placed to take advantage of the next cycle of regional and global economic growth. (OBG21.01)

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11.4 UAE: Dubai - Industry Holding Firm

Representing the first step in Dubai's policy of economic diversification, launched in the 1970s, the Oxford Business group observed that industry continues to play an important if reduced role in the emirate's economy. From relatively small beginnings, Dubai's industrial base has expanded to include chemicals production, textiles, aluminum, building materials, food processing, machinery and fabricated metals products.

According to a report from the UAE Ministry of Economy, the manufacturing sector's share of non-oil GDP fell slightly from 20% in 2001 to 18.8% in 2006. However, this does not so much reflect falling industrial output as it does the increasing role played by other sectors of the economy.

Indeed, as other sectors expand and the process of diversification in Dubai gains a wider scope, industry's importance for the emirate's future appears to be diminishing. The Dubai Strategic Plan 2015 - unveiled in early 2007 by the emirate's ruler, Sheikh Mohammed bin Rashid Al Maktoum - did not directly refer to the manufacturing sector. Rather, the plan, which laid out a strategic vision for Dubai over an eight-year period, identified tourism, transport, trade, construction and financial services as the main pillars of the economy.

Dubai's industries rely to a great extent on imported raw materials, as the emirate has few natural resources. This includes having to import energy resources to power the sector. Unlike some of its Gulf neighbors, Dubai has only limited fossil fuel reserves, with oil and gas production contributing approximately 5% to GDP, a situation predicted to continue in 2009, according to the recently released budget. As such, most of Dubai's industries are powered directly or indirectly by gas piped from other regional suppliers, with Abu Dhabi and Qatar being the main sources.

By far the largest single industrial enterprise in the emirate is Dubai Aluminum (Dubal), established in 1979. With its current annual output of 960,000 tonnes of processed aluminum, Dubal alone accounts for 7% of the emirate's GDP, well over one-third of the industrial sector's combined contribution. While the company committed in early January to keeping production at current levels, its market has been hard hit by the downturn in the international economy, with demand slumping and prices falling by 35% in the last quarter of 2008.

In 2004, the government moved to consolidate the emirate's manufacturing sector by announcing the creation of the Dubai Industrial City (DI), on site close to the Al Maktoum International Airport and the Jebel Ali Free Zone, where there are already 200 factories operating. The city, built on an area of 52m square meters, has six separate zones dedicated respectively to the production of machinery and mechanical equipment, transport equipment and parts, base metal processing, chemicals, food and beverage and mineral products. By October last year, more than \$175m had been privately invested in the DI, with 19 new production facilities expected to be operational in 2009.

Dubai's manufacturing industries have benefited from the government's program of improving the emirate's infrastructure - part of plans to support and diversify the economy. Apart from expanding the country's road network, the state has invested heavily in increasing air and sea cargo handling facilities. The Al Maktoum International Airport is projected to have a cargo shipping capacity of 12m tonnes a year by 2013, while the emirate's main maritime facility, the Jebel Ali port, already has the capacity to handle 11m containers annually, to be increased to 14m.

Much of Dubai's manufacturing sector is linked to construction and supplies the domestic market. These industries could face harder times in the coming year, as the local property market is tipped to slow dramatically due to the global

economic downturn. Domestic industries that could be affected include the prefabricated metals sector, cement production and machinery producers.

However, Dubai's manufacturing sector was given a boost in the 2009 budget, released on January 10, with the government announcing it would increase spending on infrastructure projects. The budget set out a 42% increase in government spending, of which investments in infrastructure will total \$3.24bn, 33% up on the 2008 figure. One firm that could benefit from the beefing up of infrastructure spending is Jebel Ali Cement, located in the Jebel Ali Free Trade Zone. The firm will have a ready market for its annual output of 880,000 tonnes, although even with the downturn in the construction sector local production is still outstripped by demand.

Though it is likely Dubai's industries are in for a leaner short-term, the groundwork laid by the government to develop the emirate as a trade and business hub in addition to its well-established infrastructure and the promise of state support should see the manufacturing sector survive the global downturn and prosper in better times. (OBG21.01)

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11.5 EGYPT: IMF 2008 Article IV Consultation - Executive Summary of Staff Report

A marked slowdown in economic activity is inevitable but the inflation outlook has improved significantly. The international crisis is likely to undermine FDI flows and investor confidence and net exports of goods and services are set to weaken further as key markets shrink and export prices fall. However, with world commodity prices falling and output growth likely to be below potential, the main factors behind this year's inflation surge have been reversed. Growth could fall to 4.5 -5.5% this year and next (from a 7% average in the last three years), with inflation declining to 8-12% over the same period.

The balance of payments has deteriorated and will be vulnerable until the international economy improves. A surge in imports because of buoyant domestic demand and trade liberalization all but eliminated the current account surplus by mid-2008, and a sharp reversal of portfolio flows in August-October 2008 put pressure on central bank reserve assets and the exchange rate. Though the authorities believe that further balance of payments weakness would be consistent with a moderate decline in NIR and some additional exchange rate flexibility, there is the risk of further capital outflows given the global turbulence.

The financial sector has escaped the ravages of the international crisis, so far, and is likely to continue to do so. The relative financial stability reflects the strengthening of balance sheets under the reform program, improved banking supervision, conservative practices with respect to funding, investments, and lending, and the central bank reiterating its existing guarantee of all bank deposits. The main vulnerability would appear to be a deterioration in loan quality in the event of a prolonged slowdown in economic activity, which seems unlikely at present.

The authorities intend to support growth and employment through a modest fiscal stimulus and timely cuts in policy interest rates. A fiscal stimulus of about 0.5% of GDP in 2008/09 will be provided by public infrastructure spending plans, complemented by accelerating PPP's to boost private investment. It would be consistent with the budgeted deficit for the year of 6.9% of GDP (as the deficit is on track to fall to below 6.5% of GDP), a modest increase in the planned medium-

term fiscal consolidation path through 2010/11, and with uninterrupted declines in the debt-to-GDP ratio. Judging the timing of an interest rate cut is complicated by the risk that cuts could accentuate recent pressures on central bank reserves and the exchange rate. The central bank should proceed cautiously until balance of payments portfolio flows have stabilized.

Counter-cyclical policies are risky given Egypt's poor initial conditions - large fiscal deficit, high public debt with much of it at short maturity, and high inflation - but staff judge the risk as worth taking in light of the record of reform and fiscal consolidation, the worsened growth prospects, and the still high unemployment. Given the emerging balance of payments weakness and the global crisis, the authorities should manage the exchange rate more flexibly.

The reform program should give priority to restructuring the public finances to support medium-term fiscal consolidation and boosting private investment. This would leave the economy well placed to take advantage of a recovery in the international economy. Important reforms in these areas would include the VAT, subsidy reform, strengthening cash-based social programs, and accelerating the privatization program. (IMF27.01)

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11.6 MOROCCO: Urban Outfitters

Morocco's large construction initiatives are continuing as planned, with both public and private projects breaking new ground. The Oxford business group found that 2009 will see a number of improvements to major metropolitan areas and infrastructure throughout the kingdom, with a particular focus on new strategies of urbanization.

In spite of the global economic uncertainty, mega-projects throughout Morocco are on schedule. Saidia - the largest project of Plan Azur, the government's investment to construct six new tourist cities along the Atlantic and Mediterranean coasts - is scheduled to be inaugurated this summer, featuring 29 hotels and 30,000 beds. Similarly, the \$250m Morocco Mall - slated to be the largest mall in North Africa - is on track for opening in 2010, while Saudi-based firm SIAMA will begin construction this year on an \$85m polo resort and hotel in Marrakech. "This is the perfect time for developers to be working on projects because the cost of building materials has dropped dramatically because of the economic slowdown," Ammar Abdelhadi, general manager of SIAMA, told the local press. He added that he believes his company could save up to 30% if they begin construction immediately.

The public sector has been equally aggressive, with plans for several significant construction projects over the coming 11 months. At a ceremony in Tangiers on January 7, King Mohammed VI outlined the specifics of the next phase of development of the Tanger-Med complex, a commercial and industrial port on the banks of the Straits of Gibraltar. This stage includes 3000 ha of land to be developed as an industrial park, which will complement the port's expanded operations. Indeed, recent developments have included the newly operational Terminal II, while Terminals III and IV are due to be opened by 2012.

Two days later, King Mohammed VI was present for the launch of the \$50.74m third phase of the Tanger Free Zone,

which will eventually include 800,000 sq meters dedicated to auto parts manufacturing, 50,000 sq meters of industrial office space and 30,000 sq meters devoted to various supports such as restaurants and conference space.

Similarly, Al Omrane, the state-run construction firm, recently broke ground on the new city of "Ch'Rafate" near Tangiers, which will eventually feature mixed-income housing, an industrial zone and green space as well as schools and hospitals. The construction of Ch'rafate comes at an estimated cost of \$2.9bn and is part of the kingdom's New Cities (Villes Nouvelles) program, which envisages building up to 15 new cities in an effort to decongest Morocco's main urban centers, particularly those along the coast. Ch'rafate is being built on 1300 ha, with plans to provide 30,000 housing units for an estimated 150,000 people by the time of its completion in 2020.

Moroccan urban development is becoming a major issue, as cities fed by the kingdom's growing economy work hard to accommodate the needs of a rapidly growing population. The government recently released its National Urban Development Strategy (SNDU), which revealed that 59% of the kingdom's population live in cities while more than 1m Moroccans moved from rural to urban zones between 1994 and 2004.

In a sign of continuing progress, the government recently completed a rehabilitation of 30 towns under its new "Cities Without Slums" (Villes Sans Bidonvilles - VSB) program, which aims to relocate some 280,000 households living in the country's more than 70 shantytowns into low cost public housing.

Infrastructure is also a priority. Morocco's highway system continues to develop rapidly, with the national network now measuring over 900km. Following the inauguration of the new Marrakech-Chichaoua highway on January 5, construction began on the \$120m expansion of the Rabat-Casablanca route on January 6. The expansion aims at adding six lanes along 57.3km of existing highway. More than \$5bn has been budgeted in 2008-2015 to develop the kingdom's road network.

Though the global economic slowdown is fuelling concern, some have reason for optimism. According to Mourad El Bied, CEO of El Alami Holding, the current challenges offer an opportunity for consolidation in the sector. "During the past few years, everyone rushed to get involved in construction; they bought land, started building and today are facing serious problems," El Bied told OBG. "The sector will suffer a bit this year, but it will help filter out the non-professionals, and in the end I think this will strengthen Morocco's offer when it comes to residential and commercial construction." (OBG03.02)

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11.7 PAKISTAN: A 36.4% Increase in Overall Food Consumption Forecast by 2013

Research and Markets (<http://www.researchandmarkets.com>) announced the addition of the "Pakistan Food and Drink Report Q1 2009" report to their offering. This Pakistan Food Drink Report provides independent forecasts and competitive intelligence on Pakistan's food and drink industry.

Rampant inflation, and sizeable holes in Pakistan's fiscal and current accounts are three urgent problems that recently democratically elected President Asif Ali Zardari will have to address in order to repair the confidence of investors. With a growing threat from militants in the country's tribal border regions, as evidenced by a string of bloody suicide blasts over the past few months, and growing international pressure to adopt a tougher stance against the insurgents, the government's energy may be scattered across multiple priorities. Widespread rural poverty, inadequate transport and labor infrastructure and acute consumer price sensitivity also provide barriers to investment. On the other hand, Pakistan does offer some commercial opportunities for companies willing to be exposed to higher risk, due to its vast population and the food and drink market immaturity.

In this context the major development of the quarter was undoubtedly the announcement from Carrefour that it is to launch hypermarkets on the Pakistani market in conjunction with its Middle East franchise partner, Majid Al Futtaim (MAF). The Lahore outlet, to be run on a franchise basis by MAF, will be one of 10 stores the joint venture has planned for Pakistan over the next five years. It is as yet unclear whether the joint venture will use the Carrefour name in Pakistan. The two companies already have a subsidiary in the country - Carrefour MAF Hypermarket Pakistan Ltd - which sources Pakistani produce for global distribution and yet neither brand is known to consumers. What is clearer is that market entry and expansion is likely to follow the technique adopted by the joint venture throughout the Middle East, opening hypermarkets attached to large shopping centers or malls that already boost considerable customer footfall, as opposed to opening stand alone stores. This development is likely to considerably boost the growth of mass grocery retail (MGR) distribution in Pakistan and could lead to other multinational retail players following suit and entering the market.

The country continues to need external investment to help boost its food processing and agricultural sectors. In a concrete development in this context, in September 2008, DeLaval Pakistan and the country's Livestock and Dairy Development Board (LDDDB) signed a memorandum of understanding for a partnership to assist and support dairy farmers to increase milk production, both in terms of quality and quantity.

R&M is forecasting a 36.4% increase in overall food consumption in local currency terms in Pakistan to 2013. R&M forecasts that per capita food consumption will increase by 18.8% in dollar terms to a still very modest \$158.80 in 2013, a reflection of the acute poverty from which much of the country suffers. However, Pakistan should now be able to steer away from the balance of payments precipice it has been drawn towards over the past few months. With a \$7.6bn International Monetary Fund (IMF) 23- month standby credit granted in November, the country will be in a much better position to raise funds from other bi- and multi-lateral sources. (R&M28.01)

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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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