

## Fortnightly - April 1, 2009

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- US Wood Product Exports to MENA Top \$55 Million
- Noble Energy Announces Second Natural Gas Discovery Offshore Israel at Dalit
- Iraq Invites Oil Majors To Basra
- Turkey Named 20th Biggest Importer In 2008
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## 1: ISRAEL GOVERNMENT ACTIONS & STATEMENTS

### 1.1 Netanyahu Begins to Assign Cabinet Positions & Including the Finance Minister

At press time, Prime minister-designate Benjamin Netanyahu began naming Cabinet ministers for his new government. The Cabinet is scheduled to officially be sworn in on Tuesday afternoon, 31 March. The expected 30 ministers in the new Cabinet make up the largest body ever and will require a larger table for meetings.

Netanyahu unexpectedly named ministerial newcomer Yuval Steinitz as finance minister, though Netanyahu was widely expected to take the ministerial post himself and have Steinitz, a close confidant, working alongside him as a junior minister in the Finance Ministry. It was reported that the demands of the finance minister's job were such that Netanyahu decided to appoint a full-time minister to the post. It is to be remembered that Netanyahu won praise for his stint as finance minister from 2003 to 2005 when he pushed free-market reforms and cut public spending to stimulate growth. Steinitz holds a doctorate in philosophy from Tel Aviv University and lectured on philosophy at Haifa University in northern Israel. As a member of the Israeli parliament since 1999, Steinitz has been one of Likud's foremost spokesmen on military and strategic affairs. He was a past chairman of the influential Knesset Foreign Affairs and Defense Committee.

The new coalition will also comprise seven deputy ministers. The prime minister-designate held a series of talks with prospective ministers throughout the day on 30 March. Ayoub Kara, Likud's only Druze MK, was appointed deputy minister for the development of the Negev and the Galilee. MK Gila Gamliel was appointed deputy minister in the Prime Minister's Office in charge of women and young people.

Yisrael Beiteinu Chairman Avigdor Lieberman will be given the position of foreign minister, after the Attorney General ruled that there was no legal reason to bar him from the post. Yisrael Beiteinu will take four more portfolios in the new government, including the Public Security Ministry, the Infrastructure Ministry, Tourism and Absorption & Immigration.

Labor Party chairman Ehud Barak, who will retain his position as defense minister, gave Avishay Braverman Labor's fifth ministerial post - minister without portfolio with responsibility for minorities. Braverman, who was one of the seven Laborites who opposed Barak's move to join the coalition, said after accepting Barak's offer that he was at peace with his decision. Labor minister Benjamin Ben-Eliezer will take the Industry, Trade & Labor portfolio and Shalom Simhon will serve as Agriculture Minister. Labor also has the Welfare Ministry.

The expanded cabinet will cost an estimated NIS 150 million annually, including some NIS 5 million for each minister's office, except for ministers without portfolio, who along with deputy ministers, will receive budgets of NIS 2 million each for their offices. Ministers (with portfolio) will each have a personal office staff of up to 10 people. Ministers without portfolio and deputy ministers are authorized to hire six to eight staff members. (Various30.03)

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## 1.2 Netanyahu: We Can Outperform The Global Economy

On 25 March, Prime Minister designate Benjamin Netanyahu spoke at the STEP Jerusalem Wealth Management Conference, saying that security, prosperity and peace are all intertwined. Netanyahu said, "I will negotiate with the Palestinian Authority for peace". The STEP (Society of Trust and Estate Practitioners) conference, in conjunction with Fortress Capital Management and Anglo Capital Ltd., was held in Jerusalem's David Citadel hotel. Netanyahu, who as finance minister was generally credited with turning around the Israeli economy in its last crisis, spoke of the steps taken then, and said that even now, "I think we can outperform the global economy". The Prime Minister designate said that a strong Israeli-Palestinian economic relationship is a strong basis for peace. He noted, however, that the economic track is not a substitute for political negotiation, and said the Palestinian Authority security forces should "progress from policing to terror fighting". Netanyahu concluded with some investment advice: "I urge you to invest in the Palestinian economy, and in the Palestinian-Israeli economic relationship". (Globes 25.03)

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## 2: ISRAEL MARKET & BUSINESS NEWS

### 2.1 SafeNet & Aladdin Knowledge Systems Now Under Common Management

Belcamp, Maryland's SafeNet, a global leader in information security, announced that it will establish common management with Aladdin Knowledge Systems as a result of Aladdin's acquisition by Vector Capital, SafeNet's private equity owner, creating a global leader for Software Rights Management (SRM) and Authentication solutions. Aladdin is expected to be fully integrated into SafeNet in the future. Bringing together the expertise of these two market leaders will result in accelerated product development and bring to market integrated solutions with the best in class technical capabilities required to solve customers' increasing security challenges. Aladdin's industry leading Authentication and Content Filtering products will strengthen SafeNet's Enterprise Data Protection solutions for commercial and government customers. The Software Rights Management solutions will enhance SafeNet's software anti-piracy products as well as allow SafeNet to broaden its entitlement management solutions for emerging software industry needs.

Petah Tikva's Aladdin Knowledge Systems (<http://www.Aladdin.com>) is an information security leader with offices in 15 countries, a worldwide network of channel partners, and numerous awards for innovation. Aladdin eToken is the world's #1 USB-based authentication solution, offering identity and access management tools that protect sensitive data. Aladdin SafeWord two-factor authentication technology protects companies' important information assets and applications. Aladdin HASP SRM boosts growth for software developers and publishers through strong anti-piracy protection, IP protection and secure licensing and product activation. Aladdin eSafe delivers real-time intelligent Web gateway security that helps protect data and networks, improves productivity and enables compliance. (AKS25.03)

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## 2.2 The Tel Aviv Stock Exchange (TASE) Launches Share Options on Individual Shares

As part of its drive to expand on the variety of derivatives being traded on, the Tel Aviv Stock Exchange (TASE - <http://www.tase.co.il>) is launching options on individual shares. The first of such options is an option on ICL shares, which started on 29 March 2009. A month later, on 23 April, options on Bank Hapoalim and Bank Leumi shares will be listed and, during May, options on Teva shares will be listed. The companies whose options will be listed are among the 10 most widely traded and the 10 biggest, in terms of market value, on the TA-25 Index. The significant features of the new options on shares are similar to the options traded on the TA-25 Index: European type options, cash settled and which expire on the same day on which options on the TA-25 Index expire. TASE appointed two market makers for the options being traded: Clal Finance Derivatives and Tradomatix. This will provide liquidity and depth to the order book which will enable investors to buy and sell options, quickly, on options' first trading day. The market makers which the TASE has appointed have agreed, during the course of trade and for a period of not less than one year, to submit, buy and sell orders, in number, series and intervals as shall have been determined by the TASE's board of directors. (TASE29.03)

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## 2.3 Centriforce To Meet With Water Producer In Israel

Miami, Florida's Centriforce Technology Corp. has agreed to meet with a major water producer in Israel to discuss incorporating CNFO's desalination technology into a 20 million cubic meter per year plant. The strategy is to increase production and efficiency while reducing costs by incorporating CNFO's technology platform into their existing infrastructure. The Company expects to meet in Israel in April 2009. Centriforce Technology plans to build small stand-alone plants of its own and the company expects this opportunity to give Centriforce a platform to demonstrate the

efficiency and economics of their new technology and, as a result, open many other doors for them. Centriforce Technology expects to deliver a lower-cost, efficient desalination technology to help fill the growing demand for fresh water. Its competitive advantage will be the ability to deliver fresh water at a lower cost than its competitors. (Centriforce 30.01)

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### 3: REGIONAL PRIVATE SECTOR NEWS

#### 3.1 US Wood Product Exports to MENA Top \$55 Million

US hardwood lumber, veneer and flooring exports to the Middle East and North Africa (Mena) region have topped \$55.1m in 2008, according to the American Hardwood Export Council (AHEC). This reflects a 19% increase from the previous figure of \$46.3m recorded in 2007. With aims of further increasing export volumes, Ahec will be hosting 20 US exporters under the American pavilion at the Dubai International Wood & Wood Machinery Show 2009, to be held from April 21 to 23 at the Dubai Airport Expo. American Hardwood lumber exports to the Middle East totaled of 48,698 cubic meters or \$35.5m worth of products exported to the region in 2008. This figure has risen by 3.7% in volume and 3.8% in value &ndash; from 46,949 cubic meters or \$34.2m or in 2007. In Bahrain alone, lumber exports from the US in 2008 have reached \$498,000 (552 m3), while veneer and flooring shipments have reached \$15,000 and \$20,000 respectively during the same year. Ahec's participation at the event is in anticipation of the renewed demand for wood products, with leading construction markets such as Qatar, Saudi Arabia and the UAE, particularly Abu Dhabi posing exceptional potential to bounce back from the current slump in the latter half of 2009. Exports to the rest of the GCC countries are also widely expected to remain stable, thereby prompting the organization to maintain the current volume of products being shipped to the region. (TradeArabia 24.03)

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#### 3.2 TomoTherapy Announces First Middle East Installation of Hi&bull;Art Cancer Treatment System

Madison, Wisconsin's TomoTherapy Incorporated announced that Saudi Arabia's leading cancer center, King Faisal Specialist Hospital & Research Centre (KFSH&RC) in Riyadh, will become the region's first to treat patients with the Hi&bull;Art treatment system, a next-generation radiation therapy solution designed to improve the precision of cancer care. TomoTherapy's Hi&bull;Art treatment system is unique among radiation therapy devices in its computed tomography (CT) scanner-based design. The system allows clinicians to efficiently acquire a true CT image of the patient immediately before daily treatment to help ensure accuracy. Then, using the same equipment as used in imaging, the treatment team can deliver highly-precise radiation in a continuous, 360-degree (helical) pattern. Attieh Medico is a leading medical technology company in the Kingdom of Saudi Arabia, representing various internationally-renowned manufacturers of a wide range of high-tech, state-of-the-art medical equipment. Attieh Medico assumed responsibility for supplying and maintaining the innovative TomoTherapy Hi&bull;Art cancer treatment system in June 2008. TomoTherapy Incorporated has developed, markets and sells the TomoTherapy Hi&bull;Art treatment system, an advanced radiation therapy system for the treatment of a wide variety of cancers. (TomoTherapy24.03)

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### 3.3 Shaw Opens New Office in Abu Dhabi, United Arab Emirates

Baton Rouge, Louisiana's The Shaw Group announced it has opened an office in Abu Dhabi, United Arab Emirates, to support its increasing activity throughout the Middle East. Shaw has numerous projects currently underway in the region, including providing front end engineering design (FEED) services for a grassroots acrylonitrile butadiene styrene (ABS) plant for Arabian Petrochemical Company; engineering, procurement, construction and commissioning of a 400,000 metric ton per annum plant for SABIC in Saudi Arabia; and detailed engineering, procurement and construction management services for a plant expansion in Saudi Arabia for Petrokeyma. Shaw also is providing engineering services and licensing for its proprietary Residue Fluid Catalytic Cracking (RFCC) technology to Abu Dhabi Oil Refining Company (Takreer) as a part of the major grassroots expansion of refining capacity at the Ruwais Industrial Complex in the United Arab Emirates. The Shaw Group Inc. is a leading global provider of technology, engineering, procurement, construction, maintenance, fabrication, manufacturing, consulting, remediation and facilities management services for government and private sector clients in the energy, chemicals, environmental, infrastructure and emergency response markets. (Shaw30.03)

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### 3.4 Shaw to Provide Front End Engineering Design Services for ABS Plant in Saudi Arabia

Baton Rouge, Louisiana's The Shaw Group Inc. announced its Energy & Chemicals Group has been awarded a contract to provide front end engineering design (FEED) services for a grassroots 200 kilo tons per annum (KTA) acrylonitrile butadiene styrene (ABS) plant for Arabian Petrochemical Company. The plant will be located in Al-Jubail, Kingdom of Saudi Arabia. Shaw also is providing procurement services for long lead equipment for the plant. The value of Shaw's contract, which was included in the company's previously announced backlog of unfilled orders, was not disclosed. SABIC Innovative Plastics Technologies, Inc. (formerly GE Plastics Global Technology, LLP) is providing the emulsion ABS technology for this project. The Shaw Group Inc. is a leading global provider of technology, engineering, procurement, construction, maintenance, fabrication, manufacturing, consulting, remediation and facilities management services for government and private sector clients in the energy, chemicals, environmental, infrastructure and emergency response markets. (Shaw19.03)

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### 3.5 Flowserve & Al-Rushaid Group Open Pump Manufacturing, Repair & Testing Facility in Saudi Arabia

Irving, Texas' Flowserve Corporation, a leading provider of flow control products and services for the global infrastructure markets, and Al-Rushaid Group (Dhahran, Saudi Arabia) announced the grand opening of the largest pump manufacturing, repair and testing facility in the Middle East. The facility is designed to support customers in the oil and gas, petrochemical, power, water, desalination, chemical and other industries. A key component of the facility is the region's largest, most capable hydraulics test facility, which is capable of certified testing to both API and international

standards, for both horizontal and vertical pumps. The facility will allow customers to verify equipment performance, or diagnose and correct problems. Future expansion plans include the Middle East's first hydraulics training center, which will feature state-of-the-art classrooms, along with static and dynamic laboratories. Planned classes include basic hydraulics theory, advanced maintenance, repair and technical services, and hands-on training opportunities. (Flowserve23.03)

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## 4: ISRAEL MACRO-DEVELOPMENTS

### 4.1 Energtek Granted Commercial License to Produce and Sell Natural Gas in Southern Israel

Energtek, a world leader in the development of Adsorbed Natural Gas (ANG) technology, announced that its wholly-owned subsidiary, Energtek Products Ltd., was granted a commercial license for the exploration, production and sale of natural gas in Israel's Northern Negev region. Natural Gas Exploration and Production License Number 376, granted by Israel's Ministry of National Infrastructures, enables Energtek Products to produce natural gas on exploration block of approximately 19,000 acres. An existing well on the site already enables the production of small quantities of natural gas. The license also enables Energtek Products to explore for additional gas quantities. Energtek plans to apply its LMP (Low-pressure Mobile Pipeline) bulk transportation technology to transport and sell natural gas produced on this site to local industrial energy consumers. The proprietary LMP system enables the cost-effective transport of natural gas in areas without developed pipeline infrastructure. Earlier this year a significant natural gas discovery was announced: Tamar 1, with a proven reserve of over 5 trillion cubic feet (Tcf) of natural gas located off the coast of Haifa, Israel. While there is enough gas in the reserve to supply a major percentage of Israel's commercial needs, Israel currently does not have a developed natural gas pipeline distribution network. Additionally, there are a number of onshore gas fields in Israel with small gas production potentials that cannot be realized using traditional pipeline transport technologies. The development of sufficient pipeline infrastructure often is not commercially viable due to economic and land-use concerns. Energtek's innovative gas supply solutions including LMP(TM) enable the local monetization of these gas resources.

New York's Energtek develops and applies proprietary low-pressure storage technology to provide complete well-to-wheel pipeless Natural Gas supply solutions to industrial consumers and fleets of small vehicles. Energtek's Natural Gas solutions reduce pollution and alleviate consumer energy costs. (Energtek25.03)

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### 4.2 Noble Energy Announces Second Natural Gas Discovery Offshore Israel at Dalit

Houston, Texas' Noble Energy announced a natural gas discovery at the Dalit prospect in the Michal license, offshore Israel. Located in approximately 4,500 feet of water and 30 miles offshore, the well was drilled to a depth of 12,000 feet. Formation logs identified more than 110 feet of net pay in a high-quality reservoir. Dalit represents the Company's second subsalt, lower-Miocene discovery in the underexplored Levantine basin. Production testing will be performed at Dalit after the well is completed. Subsequent to testing, the rig will return to the Tamar discovery in the Matan license to

drill an appraisal well designed to better define the resources of Tamar. Noble Energy operates both the Michal and Matan licenses with a 36% working interest. Other interest owners are Isramco Negev 2 with 28.75%, Delek Drilling with 15.625%, Avner Oil Exploration with 15.625% and Dor Gas Exploration with the remaining 4%. Noble Energy is a leading independent energy company engaged in worldwide oil and gas exploration and production. (Noble Energy30.03)

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## 5: ARAB STATE & PAKISTANI DEVELOPMENTS

### 5.1 Jordan's Environment Ministry & EPA Launch 2nd Phase Of Cooperation Agreement

On 24 March the Jordanian Ministry of Environment launched the second phase of the technical cooperation agreement with the U.S. Environmental Protection Agency (EPA) during a training workshop entitled "The criminal investigation in the environmental issues." The project is a result of the agreement signed between three U.S. government agencies: the USAID, the U.S. Environmental Protection Agency and the U.S. State Department, in cooperation with the regional office of health, environment, science and technology in the U.S. embassy in Amman. It aims to provide substantive support to Ministry of the Environment to increase the efficiency of personnel working in the field of environmental inspection and law enforcement. The project also aims to train inspectors in the ministry, the personnel of the Royal Management for Environment Protection, the judges and wildlife inspectors operating at the Royal Society for the Conservation of Nature to enhance their institutional capacity-building through training programs designed specifically for this purpose. The EPA will implement the program at intervals according to a schedule slated for a two-year period. (Petra24.03)

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### 5.2 Jordan Is the Fourth Poorest Water Country In Mideast & Tenth In Globe

A recent bulletin issued by Jordan Department of Statistics (DOS) on the International Water Day showed that the Hashemite Kingdom's water scarcity will become an even greater problem over the next two decades as the population doubles and climate change potentially makes precipitation more uncertain and variable, particularly in this region. Jordan ranked the fourth poorest water country in the Mideast and tenth in the glob due to scarcity of available water resources. Water resources in Jordan mainly depend on rainfall, which is subject to great variability; rainfall is in the range of 250 - 300 mm annually. Jordan has one of the lowest levels of water resource availability, per capita, in the world. Management of water resources is therefore a key issue facing national government authorities. Increasing overall water extraction to meet demand carries a high cost; Jordan is now accessing non-renewable water resources from fossilized deep-water aquifers. Water quantity and quality also have major health and environmental impacts. Assessing those impacts against alternative water management and efficiency strategies, and in the light of policy costs and economic development issues, can optimize the use of a scarce resource. (Petra22.03)

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### 5.3 Jordan & Canada Agree On Administrative Items For Nuclear Cooperation's Agreement

Concluding meetings held on 25 March at Jordan Nuclear Regulatory Commission (JNRC), Jordan and Canada reached final agreement on the versions of administrative items of nuclear cooperation agreement signed between the two countries. In a statement to the press after discussions with a delegation from the Canadian Nuclear Safety Commission, JNRC Director General Jamal Sharaf said the talks focused on the formulation of administrative procedures related to the convention signed between the Jordanian and Canadian governments in February in the peaceful use of nuclear energy. He added that the talks touched to the mechanisms for promoting cooperation in the areas of rehabilitation and training Jordanian staff in the field of nuclear energy and ways to take advantage of Canadian expertise in developing legislations on the peaceful uses of nuclear energy in light of the international legislation. The two sides set up a basis for the exchange of experiences and information to regulate the nuclear work and cooperation in the field of nuclear safety particularly in "non-proliferation and safeguards" issue. The Canadian delegation was briefed on the achievements of JNRC and its role in regulating and controlling peaceful uses of nuclear energy and radiation. The JNRC also reviewed mechanisms and practices adopted to ensure the protection of the environment, human health and property from the dangers of pollution and exposure to ionizing radiation in accordance with the provisions of law and ensure the availability of conditions and requirements for the nuclear safety and security as well as radiation protection. (Petra25.03)

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### 5.4 Iraq Invites Oil Majors To Basra

Oil firms Chevron and Total, along with Norway's StatoilHydro, may bid on short-term contracts to develop the Nahr Bin Umar oil field in southern Iraq. The Iraqi government imposed drastic cutbacks to its federal budget amid declining oil revenue in a depressed global economy. The short-term contracts would require foreign companies to finance any development in the Iraqi oil sector. Iraqi Oil Minister Hussain al-Shahristani approached the oil companies about the contracts but said earlier this month his country would unveil two additional international rounds of bidding later in the year. Nahr Bin Umar is producing about 15,000 bpd from a test project but holds proven reserves of more than 6.3b barrels of oil. Meanwhile, Italian company ENI, Spain's Repsol and Japan's Nippon Oil were invited to bid on the Nasiriyah oil field, which oil officials expect to produce more than 500,000 bpd. Analysts said the short-term contracts are modifications of technical-service contracts offered in 2007 but later canceled when negotiations faltered. (UPI25.03)

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### 5.5 Low Oil Price May Shrink Persian Gulf Economies

Persian Gulf Arab economies could shrink this year due to oil price declines, but liquidity is adequate and credit still growing, central bankers in the world's top oil-exporting region said on 25 March. The United Arab Emirates central bank governor told a regional banking conference he did not expect oil prices to average more than \$40 - \$44 per barrel in 2009, a far cry from near \$150 in July, the peak of a regional economic boom. Saudi Arabia's central bank governor said the world's top oil exporter continued to support a policy of pegging its currency to the dollar and voiced confidence in the

US handling of the crisis. The oil price boom enabled Gulf states to pour windfall revenues into projects designed to reduce their reliance on the volatile commodity. Oman, Bahrain and Qatar said they expected growth rates to halve this year. The UAE and Kuwait said this month their economies could contract this year. While they amassed surplus revenues from oil exports while prices were high, Gulf states with currency pegs to the dollar have also suffered from economic upheavals in the United States. High inflation exacerbated by a weak dollar prompted calls for the Gulf to drop pegs in 2007 and Kuwait did so, while the decline in US stock markets hit Gulf foreign investments. Gulf states have taken a slew of measures to defrost credit markets, cutting interest rates, guaranteeing bank deposits and offering extra liquidity to banks to stabilize their economies. Central bankers gave more assurances that banking sector liquidity was ample, saying that slowing economic activity and uncertainty were behind sluggish credit growth. (GN26.03)

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## 5.6 Persian Gulf Fast Becoming 'World's Sickbed'

The Persian Gulf is rapidly becoming the world's sickbed, with a huge prevalence of lifestyle diseases, it was declared in Bahrain. Smoking, bad diet and physical inactivity are slowly killing a huge portion of the population, said Bahraini Health Minister Dr Faisal Al Hamer. Recent studies have revealed that people in the 25-65 age groups in this part of the world are the most susceptible, with nearly 50% of them hooked on tobacco and about 35% suffering from hypertension. Governments in the Persian Gulf region were giving a lot of attention to such diseases, which are creating a huge economic burden on their respective economies. (TradeArabia 25.03)

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## 5.7 Kuwait Faces Up To \$16.5 Billion Budget Deficit

Kuwait's Minister of Finance Mustafa Al-Shimali has said the country would face a budget deficit of \$16.5b in the fiscal year 2009-2010 due to the increasing expenditure and retreating revenues. The minister said the deficit, representing 60% of the projected revenues of the coming financial year, will be covered by the reserve funds of the state budget. The expenditure of the draft state budget is estimated at KD12.1 billion while the revenues are put at KD8 billion, Al-Shimali said. A cabinet meeting reviewed the draft budget and probed oil revenues which are the main source of Kuwait's national income. Projected oil revenues have been set based on an average price of \$35 per barrel which is a highly precautionary estimation, Al-Shimali added. The main feature of the draft state budget is the dramatic retreat of oil revenues by 40.6% compared with the revenues of 2008-2009. However, non-oil revenues are set to grow by 12.1%, he said, pointing out that the total value of revenues will go down by 36.3%. (AB27.03)

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## 5.8 UAE Economy to Shrink Further

The UAE economy will contract further in the coming months, due to the impact of the global financial turmoil, Sultan Bin Saeed Al Mansouri, UAE Minister of Economy, said on 19 March. The impact on growth would depend on a lot of variables, he said. "There is no way of predicting what's going to happen by the end of this year due to the world economy. We take things in a more realistic manner on a monthly basis," said Al Mansouri. The latest forecast by The Economist Intelligence Unit (EIU) shows a gross domestic product (GDP) contraction of 1.4% for the year, but 2010 is expected to see a leap to 4.2%. Last year's growth was estimated at 7%. The International Monetary Fund (IMF) earlier said that 2009 growth would be 3%, while Standard Chartered expects it to be at a very conservative 0.5%. The overexposure of the UAE to the world economy hit home when property values in Dubai began to fall, as several were made redundant and some projects were scrapped. Additionally, oil prices have plunged from \$147 to about \$50. Almost \$19b has been injected by the federal government into the banking sector to loosen credit in the market, and boost economic confidence. Meanwhile, the combined economy of the six Gulf Co-operation Countries is expected to reach \$2 trillion by 2020, according to a report by the EIU. In the long-term forecast, the GCC countries will supply a quarter of the world's oil requirements, it said. (GN19.03)

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### 5.9 UAE's Non-Oil Trade Deficit Likely To Rise Sharply

The non-oil trade deficit of the UAE is poised to grow significantly in the years ahead based on expanding real estate and construction sectors and projected growth in the country's population, which would boost the local demand for goods and services. The Director of the UAE Trade Analysis & Information Department announced that the country's non-oil trade deficit rose 34.6% to \$61b in the financial year ended December 2007 from \$45b a year earlier, as the demand for goods kept increasing rapidly. He cited the rapid expansion in the UAE's gross domestic product (GDP) in 2007 as the primary reason for the increase in the non-oil trade deficit. He added that in terms of non-oil trade, India is the UAE's largest trading partner, followed by China and the US. He said the UAE, excluding oil, is primarily exporting petrochemicals, aluminum raw material and finished products, ceramics, plastics and glass. The UAE's two-way non-oil trade with India was valued at \$21.7b in 2007, compared with \$13.2b a year earlier. In comparison, for the same period the two-way non-oil trade with China was valued at \$12.8b compared with \$8.9b in 2006. Concerning the US, the two-way non-oil trade rose to \$9b in fiscal 2007 from \$7b the previous year. According to the latest figures provided by the Indian embassy in Abu Dhabi, the two-way non-oil trade between India and the UAE exceeded \$29b in the Indian fiscal year ended March 2008. (GN26.03)

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### 5.10 UAE to Seek Rail Project Tender By 2015

The UAE government has given the green light to its ambitious \$3b railway project, which will link all the seven emirates. It will start seeking tenders by 2015. The emirates-wide rail network, which will link Al Ruwais in Abu Dhabi to Fujairah, will be built in two phases. A federal bill on the formation of the Union Railway Company was passed by the UAE Ministry of Public Works on 24 March as a first step. The Union Railway Company, a fully government-owned entity, will own and operate trains, and invest in the transportation of passengers and goods on rail network connecting all the seven emirates. Construction will be divided into two phases with the first focusing on creating an industrial railway for goods, which will take five years to complete. The second phase will involve a passenger line consisting of 621 miles of track running from the coast to the border with Saudi Arabia. (TA25.03)

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### 5.11 UAE Faces 2% Deflation Following Sharp Fall In Rents

The UAE faces 2% deflation in 2009 driven by a 50% fall in Dubai rents, EFG-Hermes said in a report published on 26 March. Egyptian investment bank EFG has also revised its GDP forecast to an overall contraction of the economy of 1.7%, meaning the country is likely to fall into recession this year. Rents are a key driver of inflation, particularly in Dubai, and have been plunging in the last four months as the property downturn bites. EFG's prediction comes just days after research from Standard Chartered bank estimated inflation would fall to 2.5% in 2009, from around 20% last year. While EFG said rents in Dubai would come off between 20 and 50%, it added there was now evidence that rents in Abu Dhabi were also falling. Property prices have already dropped 34% in Dubai and are likely to fall another 20%, the bank calculated. The population of the UAE is expected to fall in 2009 by 5.5%, before returning to growth of around 2% in 2010. Average population growth was 7% during the building boom years of 2001 to 2008. But job losses are now mounting in Dubai's construction and real estate sectors due to the global credit crunch. However, official government data indicates that Dubai's population is still growing, albeit at a slower rate. Last month Arabian Business obtained figures from the Dubai Ministry of Interior Naturalization & Residency showing that in January this year Dubai cancelled 54,684 residency visas, 86% more than the same time last year. Some 88,423 new visas were approved over the same month, representing a six% drop year on year, but still resulting in a net positive increase in residency visa's being issued. As well as rents, EFG said that food prices and imported inflation with the weakening of the US dollar against emerging and other major currencies would fuel deflation in 2009. (AB29.03)

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### 5.12 UAE Pharmaceuticals and Healthcare Report for Q1/2009

Research and Markets (<http://www.researchandmarkets.com>) announced the addition of the "United Arab Emirates Pharmaceuticals and Healthcare Report Q1 2009" report to their offering. BMI's United Arab Emirates Pharmaceuticals and Healthcare Report provides independent forecasts and competitive intelligence on the United Arab Emirates' pharmaceuticals and healthcare industry. For the Q1/09 update of UAE's Pharmaceutical and Healthcare report, BMI has extended our forecast for the pharmaceutical sector through to 2013. We expect drug market spending to increase from \$850m in 2008 to \$1.41b in 2013, representing y-o-y growth of 10%. A main driver for increased spending comes in the form of increasing burden of lifestyle related diseases such as diabetes, cardiovascular disease and certain cancers. Health spending per capita is projected to rise from \$1,525 in 2008 to \$2,310 by 2013. The rise in healthcare investments, including specialty hospitals and the DuBiotech science park will encourage multinational activity into the country, with a view to extensively developing the R&D sector. (R&M24.03)

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### 5.13 Abu Dhabi Warns Of Potential Water Shortage

Sheikh Hamdan bin Zayed Al Nahyan, UAE Deputy Prime Minister and Chairman of EAD (Environmental Agency of Dubai) says the Emirate's groundwater supply has fallen by 18% since 2003. The claim, detailed in EAD's annual Abu Dhabi Emirate Water Resources Statistics Report, has led to Abu Dhabi increasingly relying on unconventional water resources, such as desalination and the re-use of treated wastewater. Currently, 641 m<sup>3</sup> groundwater resources are still available, but less than 3% of this is fresh water. The remaining 97%, which is brackish, has a high salt content and can negatively impact soil quality for agricultural purposes. The report also reveals that groundwater contributes 71.2% to the total water demand, followed by desalinated water (24%) and treated wastewater (4.8%). Sheikh Hamdan noted that currently, the total consumption of water resources in the Emirate exceeds 24 times its natural recharge capacity. This has arisen from the rapid social and economic development that Abu Dhabi has witnessed in the last four decades and the stress it has placed on water use. He noted the Emirate has one of the highest levels of consumption in the world on a per capita basis. Ominously, he warned of challenges ahead unless action is taken to reduce the rate of consumption. Majid Al Mansouri, EAD's Secretary General reinforced the point, arguing that the continuous growth in the population, which is expected to reach about 3.5 million people by 2030, in addition to the huge economic development projects planned, poses a major challenge in the next decade. He pointed out that previous studies of the Environment Agency (Abu Dhabi and Abu Dhabi Water & Electricity Authority) has clearly shown a significant deficit in water supply in the coming years. (AB22.03)

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#### 5.14 Severe 'Undersupply' Of Housing To Hit Saudi Arabia By 2012

Pent up demand, a growing population and a shift toward smaller households will underpin the Saudi real estate market over the next three years, according to Citigroup. Citi initiated coverage of Dar Al Arkan, the Tadawul real estate heavyweight. Unlike neighboring countries like the UAE and Qatar, the Saudi property market is relatively insulated from a reduction of the expatriate workforce; Saudi nationals make up 75% of the population. It is also rare for developers in the kingdom to sell properties off plan, meaning that the buyer secures the property with a small deposit and pays the remainder in installments or at the time of delivery. The Saudi Department of Economy and Planning expects the country's population to grow by 8 million to 33 million in 2020. Jones Lang LaSalle (JLL), the real estate services firm, expects the average size of a household in the kingdom to shrink to 5.2 people by 2012 from today's 5.7 people. The average household in the US and the UK is less than half that size. In a survey carried out in the third quarter of last year, JLL estimated that the cost of an apartment in Riyadh was roughly one sixth of what it was in Abu Dhabi, and one fifth of what it was in Dubai. Dar Al Arkan's strategy to focus on the middle income housing market is likely to create long term opportunities in the Saudi real estate market, Citi added. (AB29.03)

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#### 5.15 Saudi Orders Blitz On \$4 Billion Fake Goods Market

More than 38,000 pirated CDs have been seized from illegal street vendors as part of a new crackdown in Saudi Arabia. The Ministry of Culture & Information confiscated the fake products in Jeddah in a bid to curb the Saudi market for counterfeit products, estimated to be worth \$4 billion, according to the Arabian Anti-Piracy Alliance (AAA). The street vendors were questioned to find out their sources for the seized CDs, which contained movies and games. Similar initiatives are being planned by the government to uphold copyright laws and establish a fair environment especially for major intellectual property rights-reliant businesses such as Pay TV, and computer gaming. (AB29.03)

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## 5.16 Slumping Revenue Sees Record Egypt Budget Deficit

On 25 March the Egyptian government agreed on a new annual budget with a \$17b deficit, a 36% rise from last year, due to a decline in revenues caused by the global economic crisis. Government revenues are expected to slump 22% to \$39b in the coming year, in large part due to declines in Suez Canal revenue and international tourism. The budget deficit as a percentage of GDP will rise to 8.4% in the fiscal year 2009/2010 budget, up from just 6.9% in the current one. Egypt has been badly affected by the global financial meltdown and the government has said that the crisis could seriously affect the labor market. Official unemployment is 8.8%, but independent analysts predict it is twice as high. Egypt posted growth rates of around 7% for three years running after a series of economic reforms in 2004 that promoted a flood of foreign investment. Growth in the last few quarters, however, has dropped to 4.1% and may dip even lower, according to financial analysts warning of rates as low as 2 to 3% in the coming year. Egyptian officials and partisan pundits have repeatedly said the country is well positioned to weather the current economic slump. They have cited ample liquidity in the banking sector and a diversified economic base, as well as low consumer and corporate debt levels as evidence of the economy's strength. Even so, Egypt faces daunting challenges, with about 20% of its 78m residents living below the poverty line of \$2 per day, according to the World Bank. (AP26.03)

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## 5.17 Pakistan Pushes for TAPI Pipeline

The proposed Trans-Afghanistan natural gas pipeline is a top priority for Pakistan to meet its soaring energy demands. Pakistan is planning to convene a steering committee to discuss the natural gas line, also known as the Turkmenistan-Afghanistan-Pakistan-India pipeline, saying the project would strengthen regional relations. The \$7.6b project is seen as a rival to the long-delayed Iran-Pakistan-India natural gas pipeline from the Iranian South Pars gas field. Security of TAPI routes through Afghanistan is an impediment, though the Afghan government in 2008 made several pledges to relieve those concerns. Islamabad's Economic Coordination Committee earlier this month had removed a series of obstacles to the \$7.4b IPI project, approving what it called a "rationalized" import price for gas from Iran. Advisers are calling for swift implementation on the 1,040-mile TAPI pipeline, noting the political significance of the route. TAPI in its initial stages would transport around 950b cubic feet of gas each year. If sanctioned, TAPI would go online by 2014. (UPI24.03)

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## 6: TURKISH, CYPRIOT, GREEK & BULGARIAN DEVELOPMENTS

### 6.1 Turkey Named 20th Biggest Importer In 2008

Turkey was ranked 20th in the list of the first 30 countries with highest amount of imports in 2008, showed World Trade Organization (WTO) data. Of the total \$16.4 trillion in imports in 2008, Turkey had a 1.2% share, but the country failed to enter the list of the first 30 biggest exporters. Interestingly, the Czech Republic -- with a smaller population than Istanbul -- recorded higher exports than Turkey. Turkey's imports amounted to \$202 billion in 2008, while the US was the highest importer with \$2.16 trillion, 13.2% of all imports in 2008. Germany followed the US with \$1.2 trillion in imports and China came in third, having imported goods worth \$1.1 trillion, or 6.9% of all imports in 2008. The total amount of imports increased by 15% in 2008 over the preceding year and China, which was the country with the highest increase in imports, had a 13% increase in the same period. Even though Turkey has a high foreign trade deficit, it was able to make the list of the top 30 importers, a list comprising countries most of which have little to no foreign trade deficit. In 2008 the total exports in the world market were recorded and \$16.1 trillion - or 81.4% - belonged to only 30 countries. Also total exports rose by 15% in 2008 compared to the past year. Germany topped the list with \$1.46 trillion in exports in 2008, 9.1% of total exports. China came in second, having recorded \$1.4 trillion in exports. (Zaman30.03)

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## 6.2 Cyprus Saw Broad Economic Slowdown In 2008

Preliminary estimates for national accounts in 2008 show that there was a slowdown across almost all private sectors in 2008 but that the government helped to prop up growth by accelerating spending. Real GDP growth is estimated at 3.7% in 2008, down from 4.4% in 2007. The biggest deterioration in fortunes the tourism-heavy hotels and restaurants sector, which saw growth of only 1.9% in 2007 turn into a contraction of 3.4% in 2008. The next biggest deterioration, with a fall of 2.9%, was financial intermediation (banking). Despite growth in loans for housing remaining strong until late last year, the slowdown in non-house lending, as well as perhaps the impact of falling share prices, saw growth in financial intermediation drop from 9.0% in 2007 to 6.1% in 2008. Similarly, growth in the broad sector of real estate, rental and business activities dropped by 2.6 percentage points from 6.8% to 4.2%. The fastest growth by sector (apart from fishing, which is too small in value to make a difference) was in public services, which rose by 3.7% in 2008 compared with only 1% in 2007. This probably reflects two things: the advent of a left-leaning government in early 2008, which emphasizes social spending, but also a pro-cyclical fiscal policy which is being pursued all over the developed world, namely spending money when the private-sector economy is weakening. This can all be seen in the figures on GDP by expenditure. While private consumption (the biggest item) saw growth slip from 8.2% to a (still high) 7.0%, government consumption ramped up from 0.1% to 8.7%. The total value of GDP in 2008 is provisionally estimated at &euro;16,948.5m at current prices compared to &euro;15,596.3m in 2007. (FM26.03)

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## 6.3 Greece Makes Upward Revision of GDP Data

On 23 March Greece's National Statistics Service (NSS) confirmed it has started procedures to revise upward the country's gross domestic product (GDP). The move will help the government reduce its budget deficit and public debt figures as both are linked to GDP, which is a measure of the total value of goods and services produced in an economy. The data revision will be based on 2005 and is in accordance with the rules of Eurostat, the European Union's statistical service, which requires a revision to national GDP figures every five years, according to the NSS. Greece's last change to GDP data was based on year 2000 figures even though the procedure took place in 2004. Nevertheless, the NSS said that the whole procedure is not expected to be completed before the end of 2010. The formal decision to change

the figures to Greece's national accounts will be made in Luxembourg in April. (Reporter24.03)

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#### 6.4 Athens Resorts to One-Off Measures to Rescue Budget

Greek Economy & Finance Minister Papathanassiou said on 18 March that the Ministry will impose a one-off tax on high income earners and will limit pay hikes to civil servants this year in a bid to reduce state spending, boost revenues and curb a growing deficit. Greece is scrambling to contain its fiscal gap as a slowing economy results in lower revenues. The government, which projects a fiscal shortfall of 3.7% of GDP this year, unchanged from 2008, announced a series of one-off tax measures. The government wants to boost the credibility of the Greek economy. Those earning &euro;60,000 - &euro;80,000 a year will pay a one-off &euro;1,000 tax contribution, those earning &euro;80,000 - &euro;100,000 will pay &euro;2,000, those earning &euro;100,000 - &euro;150,000 will pay &euro;3,000 and those earning over &euro;150,000 will pay &euro;5,000 euros. Low-salary public servants will get a one-off boost of between &euro;300 - &euro;500, instead of an annual increase. Pensioners will be supported as well. Additionally, the country's 300 members of Parliament will pay a levy amounting to 5% of their salaries this year, with the proceeds going to a special fund to combat poverty. This is a "symbolic act," Papathanassiou said. Greece is under growing pressure from the European Commission to cut state spending to bring a growing budget shortfall under control. Economic growth in the country will slow to 0.2% this year and the deficit will widen to 3.7% of gross domestic product, according to the Commission. The European Union has set a limit of 3% on deficits. The Commission started procedures last month to place Greece back under surveillance for its persistent budget shortfalls. Ireland, France, Spain, Latvia and Malta were also singled out. (ANA19.03)

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#### 6.5 Greeks Spending Less On Fun & Food

Most Greeks have cut spending on clothing and food due to the economic crisis while many believe the downturn is still in its initial stages, according to survey results made public on 18 March. The survey, commissioned by public servants' worker group ADEDY, found that 86% of respondents have trimmed expenses on entertainment, while four in five currently spend less on clothing. Close on half said that they have reduced their food bills. Greece's economy, which has been one of the fastest growing in the eurozone in recent years, is headed for a sharp slowdown this year under the weight of the global crisis. The government sees the economy expanding at an annual rate of 1.1% while the European Commission is less optimistic, placing the figure at 0.2%. The study also found that two-thirds of Greeks believe the economic woes have only just begun, with 40% projecting that the crisis will run for another two to three years. Just less than 75% said they consider Greece's participation in the single currency a positive fact for the country. (Ekathimerini19.03)

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#### 6.6 IMF Report Says Foreign Capital Reliance Leaves Bulgaria Vulnerable

The International Monetary Fund (IMF) has stated that Bulgaria is in a dangerous position because of its reliance on foreign capital. The country's capital-inflows-driven boom has come to an end, the IMF said in a report issued after an annual review of Bulgaria's economic performance. The real economy is slowing down. Still, Bulgaria closed 2008 as one of the fastest-growing countries in Europe, reporting an estimated 6% gross domestic product gain for the year, Dow Jones reported. The IMF is suggesting Bulgarian authorities prioritize maintaining confidence in the country's banking system, which it describes as "well-capitalized, liquid and highly profitable." "A severe recession could cause nonperforming loans to increase and bank capital to erode," the IMF concluded. (Reporter22.03)

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## 7: GENERAL NEWS AND INTEREST

\*ISRAEL:

### 7.1 Passover Observance Will Begin on 8 April

On Wednesday night, 8 April, Israel and world Jewry begin the week long celebration of the Passover (Pesach) holiday. One could say that Pesach is indeed the "Independence Day" or "National Liberation Holiday" of the Jewish People, since it marks the liberation of the Jewish People from slavery in Egypt by the hand of G-d. It is central to Jewish identity and Jewish practice, since the Exodus and life in the wilderness led to the true birth of the Jews as a distinct entity. Jacob and Josef came to Egypt numbering 70 souls and Moses led 600,000 out after the defeat of Pharaoh. Probably the most significant observance related to Pesach involves the removal of chametz (or leaven) from Jewish homes and businesses. This commemorates the fact that the Jews leaving Egypt were in a hurry and did not have time to let their bread rise. Even converts to Judaism relate to the Exodus as their own ancestors as having left Egypt. It is also a symbolic way of removing the "puffiness" (arrogance, pride) from our souls. Instead, a special non-leavened bread called matzah is consumed, among a myriad of other special holiday dishes.

On the first night of Pesach (first two nights for Jews outside of Israel), there is a special family meal filled with ritual to remind Jews of the significance of the holiday. This meal is called a seder, from a Hebrew root word meaning "order," because there is a specific set of information that must be discussed in a specific order. The seder is full of symbolism, all pointing to one salient point: that Jews all remember that G-d took us out of slavery in Egypt to freedom to observe his Torah. Pesach lasts for seven days (eight days outside of Israel). The first and last days of the holiday (first two and last two outside of Israel) are days on which no work is permitted. Work is permitted on the intermediate days. These intermediate days on which work is permitted are referred to as Chol Ha-Mo'ed, as are the intermediate days of Sukkot. Though work is permitted, many take vacations and a full work environment returns only after the holiday. Passover ends on 15 April in Israel, 16 April in the Diaspora.

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\*REGIONAL:

## 7.2 Pope To Visit Jordan May 8th

Pope Benedict XVI is to pay a 4 day visit Jordan on 8 May. King Abdullah II and the Pope, during his first papal visit to the Kingdom, will discuss relations between Jordan and the Vatican, and issues related to the promotion the Islamic - Christian brotherhood, dialogue and coexistence. It is scheduled that the Pope will deliver a speech upon his arrival at the airport. He will also visit a number of holy and archeological sites in the kingdom and will meet a number of Islamic scholars, diplomatic officials and heads of universities. Pope Paul VI paid the first papal visit to Jordan in 1964, and Pope John Paul II visited Jordan in 2000 during which he met with King Abdullah II, visited a number of religious and archaeological sites. (Petra26.03)

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## 7.3 AKP Barely Wins Local Elections

Preliminary returns from the 29 March show that Turkey's ruling Justice and Development Party, or AKP, won the local elections, but public support for the party fell to lowest level since it was established. According to results with nearly 98% of the votes counted, AKP gained 38.92% of votes for provincial councils, seen as a proxy for the general elections, down from 46.6% in the 2007 general elections, and from 41.7% in the 2007 local elections. AKP held its mayoral seats in the largest city of Istanbul and the capital Ankara; however, the race with candidates of the main opposition Republican People's Party (CHP) were tied. The ruling party however lost key cities that Prime Minister Erdogan had campaigned hard to take, including Izmir, Adana and Diyarbakir. The biggest surprise came from Antalya where the AKP mayor, Menderes Turel, lost to CHP candidate and former rector of the city's university, Mustafa Akaydin. Erdogan admitted, in his first statement as initial election results were revealed, his dissatisfaction with the outcome, noting his disappointment with the overall votes gained by his AKP, as well as its failure to grab the mayoral office in cities like Diyarbakir and Antalya. He said the Turkish public taught his party a lesson and they will act in line with this. The party that has ruled Turkey since 2002, increasing its votes in each election, appeared set to lose 16 mayoral seats. Sunday's election is the first in which support to the ruling AKP fell.

With the results of the March 29 election, the political map of Turkey changed significantly. Turkey's northwestern and western provinces were dominated by CHP, AKP lost ground against DTP in the southeastern provinces and also in the northern regions. But AKP maintained its strongholds in central Turkey. The other performance worthwhile noting is that of the Islamist Felicity Party's, or SP. The Islamist party doubled its support to 5.17%. (Various30.03)

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## 8: ISRAEL LIFE SCIENCE NEWS

## 8.1 OrSense Launches System for Continuous Non-Invasive Hemoglobin and Blood Oximetry Measurements

OrSense announced the launch of NBM-200MP, a multi-parameter sensor for non-invasive continuous hemoglobin, low signal oximetry and pulse rate measurements. OrSense's non-invasive continuous monitoring system accurately measures levels of oxygen saturation, hemoglobin and glucose in an intensive care unit. Hemoglobin (Hb) level, a parameter which indicates hemorrhage or anemia, is a key measurement in hospitals and outpatient wards. However, current hemoglobin measurements are invasive, time consuming, labor intensive and costly. NBM-200MP offers a unique, breakthrough non-invasive solution for accurate continuous and spot Hb measurements. It is useful for hematocrit/hemoglobin determination, hidden blood loss monitoring and for anemia screening. The device is well suited for use in a variety of clinical environments, including perioperative and critical care, emergency medicine, blood donation facilities, women's health, primary care physician's office and homecare. Pulse oximetry has become a standard of care in the operating and recovery rooms, intensive care units and emergency services, yet it has been known to provide erroneous oxygen saturation readings in states of low perfusion, low cardiac output and/or low blood flow. The NBM-200MP system offers for the first time a non-invasive, continuous and accurate measurement of oxygen saturation in states of hypovolemia, hypothermia and vasoconstriction or during open heart surgery, as well as during regular perfusion.

Nes Ziona's OrSense (<http://www.orsense.com>) is a medical device company developing non-invasive monitoring systems for measurements of oxygen saturation, hemoglobin, glucose and other blood parameters. The Company's flagship product is the NBM-200MP, a multi-parameter non-invasive continuous blood oximetry and hemoglobin monitor for use in hospitals. (OrSense19.03)

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## 8.2 Teva & Medicis Announce Settlement Agreement

Teva Pharmaceutical Industries and Scottsdale, Arizona's Medicis Pharmaceutical Corporation have agreed to terminate all legal disputes between them relating to SOLODYN (minocycline HCl, USP) Extended Release Tablets. Pursuant to an agreement entered into between the parties, Teva has confirmed that Medicis' patents relating to SOLODYN are valid and enforceable, and cover Teva's activities relating to its generic product under Abbreviated New Drug Application (ANDA) #65-485. As part of the settlement, Teva has agreed to immediately stop all further shipments of generic SOLODYN. Medicis has agreed to release Teva from liability arising from any prior sales of its generic SOLODYN, which were not authorized by Medicis. Under the terms of the Settlement Agreement, Teva has the option to market its generic versions of SOLODYN 45mg, 90mg and 135mg under the SOLODYN intellectual property rights belonging to Medicis commencing in November 2011, or earlier under certain conditions. Additional terms were not disclosed.

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. (Medicis 19.03)

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### 8.3 InSightec Announces \$15 Million Investment Round

InSightec has closed an internal round of financing totaling \$15m from its existing investors. Elbit Imaging invested \$7.5m on 18 March 2009. An additional \$7.5m is to be invested no later than 12 months following the date hereof by its existing investors. The investment will take the form of Preferred Shares B, which are convertible to InSightec's ordinary shares subject to the fulfillment of certain conditions stipulated in the agreement. InSightec reported that the funds would be used to expand its research and development efforts, for marketing and sales activities, and for general corporate purposes.

Treatments by InSightec's ExAblate 2000 of uterine fibroids continue to grow globally with excellent clinical results driving market adoption in more than 70 leading sites globally and over 4,500 women treated worldwide. In parallel, InSightec is expanding its research into the oncology areas: bone metastases, prostate cancer, breast cancer, liver tumors and brain tumors. Recent publications have shown that Magnetic Resonance-guided Focused Ultrasound (MRgFUS) with the ExAblate system has the potential to be an effective noninvasive pain-relieving treatment for tumors that have spread to the bones (bone metastases). InSightec is conducting a phase III pivotal trial for the treatment of pain palliation of bone metastases. In addition, a Fertility Enhancement study is being performed evaluating the potential of ExAblate fibroids' treatments to enhance fertility when other potential causes of women's infertility have been ruled out. The investment will allow acceleration of the technical and clinical research for oncology applications providing improved care for patients around the world.

Tirat Carmel's InSightec (<http://www.insightec.com>) is a privately held company owned by Elbit Imaging, GE, MediTech Advisors and employees. It was founded in 1999 to develop the breakthrough MR guided Focused Ultrasound technology and transform it into the next generation operating room. (InSightec 19.03)

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### 8.4 Teva Uses Compugen Biomarkers for Detection of Drug-Induced Kidney Toxicity

Compugen announced that Teva Pharmaceutical Industries has exercised its option to utilize in its research activities a novel combination of biomarkers, discovered by Compugen, for early detection of drug-induced nephrotoxicity. This biomarker combination was discovered under the umbrella of collaboration between Compugen and Teva. Under the terms of the collaboration with Teva, initiated in 2007, Compugen conducted a discovery process utilizing its proprietary computational tools, discovery engines and nucleic acid testing platforms as well as data derived from biological samples collected by Teva in a preclinical study designed specifically for this project. The business terms for the collaboration provided Teva with the royalty-free right to use any discovered markers for internal research and development activities; Compugen retained the commercialization rights for licensing such markers to other companies, as well as rights for internal use. Validation results demonstrate that the biomarker signature may enable a much earlier prediction of drug-induced kidney toxicity during pre-clinical trials in rats in comparison to traditional diagnostic methods such as histopathology or clinical chemistry. In addition, the biomarker combination successfully predicted the relative levels of toxicity of the compounds that were tested.

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. (Compugen24.03)

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## 8.5 OrSense Receives CE Mark for Hemoglobin & Pulse Oximetry Monitoring System

OrSense announced it has received a European CE Mark approval for its NBM-200MP, a multi-parameter sensor for non-invasive continuous hemoglobin, low signal oximetry and pulse rate measurements. Hemoglobin (Hb) level, a parameter which indicates hemorrhage or anemia, is a key measurement in hospitals and outpatient wards. However, current hemoglobin measurements are invasive, time consuming, labor intensive and costly. Non-invasive pulse oximetry has become a standard of care throughout the medical world, yet it has been known to provide erroneous oxygen saturation readings in states of low perfusion, low cardiac output and/or low blood flow. The NBM-200MP system offers for the first time a non-invasive, continuous and accurate measurement of oxygen saturation under all physiological conditions, as well as a unique, breakthrough non-invasive solution for accurate continuous and spot Hb measurements. NBM-200MP operates via a ring-shaped sensor that is fitted on the patient's finger and applies a gentle pressure, temporarily occluding the blood flow. Ness Ziona's OrSense (<http://www.orsense.com>) is a medical device company developing non-invasive monitoring systems for measurements of oxygen saturation, hemoglobin, glucose and other blood parameters. The Company's flagship product is the CE approved NBM-200MP, a multi-parameter non-invasive continuous blood oximetry and hemoglobin monitor for use in hospitals. (OrSense24.03)

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## 8.6 Medgenics' EPODURE Shows Continuous Anemia Treatment in Kidney Disease Patients

Medgenics announced that the latest, encouraging results of the Company's ongoing EPODURE Biopump Phase I/II Clinical Trial show that in the first 2 of the patients treated, the hemoglobin level has now remained continuously in the target range of 10-12 g/dl for more than 5 months following a single EPODURE treatment using the lowest dose of 20 IU/kg/day, thus effectively treating their anemia without receiving any injections of erythropoietin (EPO) during this period. One of the patients received his last EPO injection more than 200 days ago. This is contrasted with the FDA approved standard regimen of thrice weekly EPO injections, in which typical patients would expect to receive up to 85 injections in this timeframe. A total of 7 patients have now been treated, with 6 patients receiving treatment for more than one month. The seventh patient is the first to receive the higher dose of 40 IU/kg/day, which is double that of the lowest dosage, and the higher dose treatment is proceeding smoothly. There continue to be no adverse events reported in the study. Patient recruitment continues for the higher dose treatment. The Company's active discussions with major potential strategic partners have expanded since the announcement in February, with additional companies having expressed interest in one or more applications. Misgav's Medgenics (<http://www.medgenics.com>) is a clinical-stage biopharmaceutical company developing its unique tissue-based Biopump platform technology to provide sustained-action protein therapy for the treatment of a range of chronic diseases. Medgenics currently has two products in development based on this technology: - EPODURE - producing erythropoietin (EPO) to treat anemia, and - INFRADURE - producing interferon-alpha (IFN-a) to treat Hepatitis-C. (Medgenics 30.03)

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## 9: ISRAEL PRODUCT & TECHNOLOGY NEWS

### 9.1 Yissum Licenses to Van Leer Ventures a Software Platform for Maximizing PC Processing Power

Yissum, Research Development Company of the Hebrew University of Jerusalem and Van Leer Ventures Jerusalem, one of Israel's leading early stage investment organizations, announced that Yissum licensed to Van Leer Ventures a software platform for maximizing PC processing power. Van Leer Ventures has established a startup company, Valensum, for the development and commercialization of the technology, which enables computer applications to utilize the processing power of various peripheral devices, such as the graphic interface card. Harnessing the computing capabilities of these underutilized CPUs offers a smart, cost-effective and efficient approach for maximizing the processing capabilities of PCs.

Today's PCs are rapidly becoming heterogeneous multi-core computing environments with various PC peripheral cards having their own CPUs. However, few applications take advantage of all the available processing power. Valensum's platform provides a tool for developers to take advantage of this unused power, enabling the delegation of tasks to a computer's peripheral devices, thereby increasing both the speed of applications and the efficiency of computer multitasking. Valensum's platform enables the development of applications that can detect potentially available peripheral computing resources and offload data to them, effectively "delegating responsibilities". The technology can be used with devices such as a network interface card, graphic interface card, disk controller, or security card. It enables an application to run without involving the main CPU. For example, a TV program can be recorded to the PC and played online at the same time as the PC is being used for something else.

Yissum Research Development Company of the Hebrew University of Jerusalem (<http://www.yissum.co.il>) was founded in 1964 to protect and commercialize the Hebrew University's intellectual property. Van Leer Ventures Jerusalem (<http://www.vlvj.co.il>) invests in early stage companies with proprietary innovative technologies addressing large and fast growing markets. (Yissum19.03)

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### 9.2 Russian Company, a Competitive Carrier, Selects VocalTec for VoIP

VocalTec Communications announced that Russian Company, an alternative carrier in Russia, selected VocalTec's technology to further develop its VoIP network. Through this collaboration, Russian Company can now seamlessly connect their legacy telephony network with VocalTec's new packet based network. The deployment was achieved in partnership with Sintera, a leading Russian systems integrator. As part of their VoIP infrastructure, Russian Company will deploy VocalTec's Essentra BAX, an application server enabling the delivery of residential and hosted enterprise

VoIP services to their subscriber base. In addition, Russian Company will utilize VocalTec's Essentra CX, a scalable carrier-grade media gateway controller, to enable the termination of their IP traffic to the PSTN as well as for the termination of legacy PABX traffic to PSTN by CX (IUA and M3UA). VocalTec is one of the first telecom vendors to receive comprehensive Class-5 certification for its VoIP softswitch solution, including certification for local node deployments under the new requirements issued by the Russian Ministry of Communications. This deployment provides further validation that VocalTec's Essentra solution meets all mandatory quality, functionality, legal and interoperability requirements, for commercial deployment throughout Russia.

Herzliya's VocalTec Communications (<http://www.vocaltec.com>) is a global provider of carrier-class multimedia and voice-over-IP solutions for communication service providers. A pioneer in VoIP technology since 1994, VocalTec provides proven trunking, peering and residential/enterprise VoIP application solutions that enable flexible deployment of next-generation networks (NGNs). (VocalTec23.03)

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### 9.3 Bulgaria's Vestitel BG Launches Partnership IPTV Model Using Orca Interactive's RiGHTv Middleware

Bulgarian triple-play operator, Vestitel BG, has selected Orca Interactive to supply their RiGHTv IPTV middleware platform to underpin their new model based IPTV service. The IPTV middleware will be deployed to replace the existing solution that is powering Vestitel's current IPTV service and will be the basis for their Partnership model &ndash; to which multiple Bulgarian operators have signed up - that will go live at the end of April 2009. Vestitel BG, a subsidiary of the Bulgarian natural gas company, is a triple-play operator offering Internet, telephony and video services. The operator launched its own IPTV service two years ago and decided to leverage the investment in IPTV by launching a managed service to other Bulgarian service providers. The choice of Orca's RiGHTv platform was based on offering the best price/performance value, combined with the flexibility to customize it to fit the needs of customers and third party operators. Another key attribute that attracted Vestitel to Orca Interactive was the innovative nature of their solution and products like COMPASS, the Personalized content recommendation platform, which offered the promise of innovative solutions to be implemented in the future.

Ra'anana's Orca Interactive (<http://www.orcainteractive.com>), a member of the Emblaze Group, is a leading provider of middleware solution to enable xDSL and FTTx operators to offer enhanced entertainment services such as broadcast TV, video-on-demand and interactive services. Our applications deliver compelling and differentiated services to maximize the revenue stream of the operators. Orca's user-friendly, end-to-end applications enable delivery and management of VOD, TV channels, EPG, NVOD, Pay-Per-View and e-commerce for related merchandise. (ORCA26.03)

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### 9.4 SeaChill Chose ImageID to Provide a Third Visidot SCT (Supply Chain Traceability) Application

ImageID announced that SeaChill has implemented a third Visidot application, so as to comply with new Tesco retail chain requirements. Tesco has recently required that all its suppliers provide ASNs (advance shipping notifications)

accurately reporting the content of every truck delivering goods to the retail chain. With hundreds of pallets shipped each day, speed and accuracy are of the utmost importance to SeaChill. Following two successful Visidot implementations, SeaChill immediately approached ImageID to address this new requirement. Upon completion of shipping verification, Visidot creates a SSCC (Serial Shipping Container Code) pallet label complying with GS1 standard. Tagged pallets are then fork-lifted past a dock-door Visidot gate on their way to the delivery trucks. Truck numbers are associated with all relevant pallets, and ImageID's Visidot Director produces the ASN document, as required by Tesco. SeaChill is now part of the bigger Icelandic Group. SeaChill was formed in 1998 to become one of the UK's leading fresh fish processors. Tel Aviv's ImageID (<http://www.imageid.com>) is a leading provider of imaging-based traceability solutions. Visidot, the company's line of proven traceability products, consistently enhances logistics and manufacturing process efficiency and reliability. Visidot offers high-speed, automatic identification and decoding of multiple assets. It enables tracking and tracing of hundreds of thousands of assets a day, with 100% accuracy. Visidot improves supply chain control to customers in a broad range of industries, from fresh food manufacturers and RTI poolers to automotive companies and others. (ImageID30.03)

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## 9.5 Insightix Releases BSA v5.0

Insightix announced the immediate availability of version 5.0 of its Business Security Assurance (BSA) solution suite. The Insightix BSA solution is designed to detect, identify, profile, audit, and control ALL devices connected to your network, in real-time. It provides a 360° view into the actual state of your network security effectively Bridging the Network Security Gap that exists between the actual security state of enterprise networks and what is known to IT. With BSA version 5.0, Insightix has redesigned its BSA Management Center platform, and enhanced its capabilities and feature set through a complete redesign of the user interface, scalability enhancements allowing handling thousands of BSA Collectors at once, improved AAA support, centralized licensing mechanism, additional centralized BSA Collector management and configuration options, and more. Ra'anana's Insightix (<http://www.insightix.com>) is an innovator of real-time security intelligence and control solutions. Insightix patent-pending technologies are used to detect, identify, profile, audit and control ALL devices connected to your network, providing real-time network, endpoint and user intelligence. Insightix discovers an additional 20–50% of the devices residing on the enterprise network, devices that otherwise remain undetected, and automatically audits the security configuration of endpoints based on the asset classification information collected. (Insightix30.03)

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## 9.6 Merck KGaA and Yissum Sign R&D Collaboration Agreement

Merck KGaA of Darmstadt, Germany and Yissum Research Development Company, the Technology Transfer Company of the Hebrew University of Jerusalem, announced the signing of a research and development agreement between Merck and Yissum's spin-off, QLight Nanotech for the joint development of a novel semiconductor nanoparticle technology for a novel display application. Under the terms of the agreement, Merck will license QLight Nanotech's semiconductor nanoparticle technology for optical applications and will sponsor an R&D program to be conducted by QLight Nanotech over the next three years. QLight Nanotech will contribute its experience in nanoparticle research, particularly in synthesizing and manipulating new nanoparticles, and Merck will contribute its expertise in the specialty materials field and in large-scale production of sophisticated chemical formulations, which will be used for producing large quantities of the nanoparticles developed at QLight Nanotech. Yissum Research Development Company of the Hebrew University of Jerusalem (<http://www.yissum.co.il>) was founded in 1964 to protect and commercialize the Hebrew University's intellectual property. (Yissum30.03)

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## 9.7 NICE Introduces its First Mobile Digital Video Solution, SafeRoute

NICE Systems announced the release of SafeRoute, the company's first mobile digital video surveillance solution. SafeRoute further expands NICE's suite of security solutions, offering companies in the transportation sector a comprehensive solution for monitoring and improving security system-wide, in stations, rails, critical infrastructure and fleets. NICE Systems' security solutions address public transit providers' complete security needs - from real-time threat detection and verification to post incident investigation and resolution. The new SafeRoute onboard video surveillance system extends NICE's comprehensive security capabilities from stationary assets to include moving vehicles, such as trains, buses, and trams. SafeRoute is a complete solution for high performance mobile digital video surveillance, specially designed for the demanding conditions of public transport and equipped for high-quality onboard recording (up to 10 channels of video recorded in 4CIF@RT, along with audio and vehicle data). With SafeRoute, video can be viewed on driver monitoring screens, and also over a wireless or cellular network, enabling real-time monitoring of events for rapid response. SafeRoute also integrates seamlessly with external input sensors, such as GPS and Vehicle Information Systems, to capture complete incident information that shows vehicle location, speed and driver actions. That metadata can be captured and stored with video and voice recordings so investigators know exactly what occurred, why, where and when. In cases of extreme acceleration or deceleration or other high risk events, SafeRoute will automatically tag that video event and alert a remote security operator.

Ra'anana's NICE Systems (<http://www.nice.com>) is the leading provider of Insight from Interactions solutions and value-added services, powered by advanced analytics of unstructured multimedia content - from telephony, web, radio and video communications. NICE's solutions address the needs of the enterprise and security markets, enabling organizations to operate in an insightful and proactive manner, and take immediate action to improve business and operational performance and ensure safety and security. (NICE30.03)

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## 9.8 RRsat Wins 2009 Independent Teleport Operator of the Year Award for Excellence

RRsat Global Communications Network has been chosen by the World Teleport Association (WTA) as Independent Teleport Operator of the Year for 2009. The awards are presented each year to organizations and individuals whose achievements have been deemed exceptional by the international trade association and its awards committees, made up of industry members from across the globe. The WTA announced that its decision was based on an impressive year of accomplishments by RRsat that included two major acquisitions, inauguration of an HD playout center, additional satellite platforms added to the portfolio, and launches of new TV channels. Omer's RRsat Global Communications Network (<http://www.RRsat.com>) provides global, comprehensive, content management and distribution services to the rapidly expanding television and radio broadcasting industries. Through its proprietary "RRsat Global Network," composed of satellite and terrestrial fiber optic transmission capacity and the public internet, RRsat is able to offer high-quality and flexible global distribution services for content providers. (RRsat 30.03)

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## 9.9 Voltaire's 40 Gb/s Switch Available for HP Cluster Platforms

Voltaire announced that its 40 Gb/s InfiniBand switch, the Grid Director 4036 is available for the HP Cluster Platforms based on new HP ProLiant G6 servers. The Voltaire Grid Director 4036 features 36 ports of 40 Gb/s InfiniBand connectivity and ultra-low latency to accelerate performance of applications running on clusters of servers and storage. The switch optimizes I/O throughput for multi-core servers to improve the performance of high performance applications in industries including manufacturing, energy, financial services, life sciences, government, and research and education. The switch features a compact design, low power consumption, and redundant, hot-swappable power options enabling easy integration into highly dense and energy efficient data centers. Herzliya's Voltaire (<http://www.voltaire.com>) is a leading provider of scale-out computing fabrics for data centers, high performance computing and cloud environments. Voltaire's family of server and storage fabric switches and advanced management software improve performance of mission-critical applications, increase efficiency and reduce costs through infrastructure consolidation and lower power consumption. (Voltaire 30.03)

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## 9.10 Commex Introduces Content-Aware Bypass Network Interface Card - Vulcan SP HT6210

Commex Technologies announced the availability of its new member of the Vulcan family of NICs - the Vulcan SP HT6210, a dual-channel 10GbE Network Interface Card with Commex patent-pending content-aware bypass. Commex Content-Aware Bypass (CAB) is the ability to perform Deep Packet Inspection (DPI) on-chip inside a computer sever and bypass packets based on specified content criteria to another server. This capability ensures that each server within a cluster of servers will receive only the desired subset of network traffic to process within its maximum capacity; the sum total of all traffic is shared smartly among the cluster of servers. Commex CAB extends Vulcan's capability to smartly distribute network traffic load amongst the multiple processors of a single server to the ability to also smartly distribute load amongst multiple servers in a server cluster. The result is both in-server multicore and cluster multi-server performance scalability. The Vulcan SP content-aware bypass dual-channel 10GbE NIC leverages AMD Direct Connect Architecture by connecting directly to a Quad-Core AMD Opteron processor via a 16-lane HyperTransport interface. The result is true multicore scalability of network traffic performance.

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 on-chip classification and action engines, to deliver multicore-scalable performance to server OEMs and system designers. (Commex30.03)

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## 10: ISRAEL ECONOMIC STATISTICS

### 10.1 Israel's Economic Index Drops 1.1% in February

The Bank of Israel announced on 19 March that Israel's State-Of-The-Economy index of indicators dropped for a seventh consecutive month in February, down 1.1%, led by a decline in imports and exports. This decline first became apparent during Q4/08. Nevertheless, the index of trade and services revenue actually rose in this period. The fall in the February index was led by a 5.6% drop in the imports of goods index, following a 0.7% reduction the previous month. The exports of goods index was down 3.4% in February after declining 1.6% in January. The exports of services index dropped 0.6% last month after falling 2.3% in January. The manufacturing production index, which lags one month, fell 1.1% in January after an increase of 0.8% in December. The trade and services revenue index rose 0.3% in January after falling 5% in December. (BoI19.03)

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### 10.2 Israel's Trade & Revenues Drop in late 2008

The Central Bureau of Statistics announced on 19 March that during the November to January period, revenue indices in the trade and services industries plunged 11.7% in annual terms. The largest fall in revenue during the three-month period was 32.2% in the financial services and insurance sector. The smallest drop in revenue was 2.9% in the food and hospitality industry. Growth in industrial production dropped 3.2% in annual terms from November to January. Not including hi-tech, the growth rate in industrial production fell 10.3% during the same period. The growth rate in industrial production in the mixed-traditional technology sectors (e.g. rubber, plastics, metal goods and jewelry) plunged 16.5% in the November to January period. The number of full-time positions in the manufacturing sector fell 2.6% in annual terms in the same period, compared with a decline of 2.2% in the August to October period last year, the bureau reported. The largest drop in jobs was 7.5% in the mixed-traditional technology sector. (JP19.03)

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### 10.3 Israel's Unemployment Jumps Up to 6.8% in January

On 18 March, the Central Bureau of Statistics announced that Israel's unemployment rate in January rose to 6.8% of the civilian labor force, the highest level in 14 months, as employers laid off an estimated 80,000 workers over the past six months. The unemployment rate grew from 6.3% in Q4/08 to 6.8% in January. Based on the bureau's preliminary figures, the total number of unemployed is more than 200,000. During February, the number of newly unemployed fell to 17,830 from 19,719 in January, the National Employment Service (NES) reported. The total number of unemployed rose 1.8%, to 197,800, compared with the previous month, it said. Since the beginning of the year, employers have laid off an average of 18,800 workers per month compared with a monthly average of 15,600 in Q3/08 and 10,600 during H1/08, he said. Based on statistics for February, the national rate of unemployment is 6.9%, the NES reported. The highest rate of unemployment, 11%, was in the South, followed by the North, at 10.6%. The lowest unemployment rates were in Jerusalem and the coastal plain with 4% and 4.3% respectively. The number of job-seekers in February rose 2.3% in

seasonally adjusted terms to 220,200 from 215,200 in January and 188,400 during the same month a year earlier, the NES reported. During the same period, the number of academic job-seekers surged 6.8%, while the number of nonacademic job-seekers increased 4.7%. (CBS18.03)

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#### 10.4 Israel's Matzah Exports Surge For Pessah, But Drop Is Expected Next Year

On 23 March, the Israel Export Institute announced that Israel's exports of matzot are expected to fall by 5% to 10% this year as a result of the global economic crisis, after rising 31% in 2008. Last year, export sales of Matzot rose 31% year-on-year and were worth \$12m, mainly led by sales to the US, which made up 57% of the total sales volume. The IEI said that the increase of matzah sales to the US in 2008 can be explained by the fact that the orders were closed before the crisis deepened. Jewish communities in the US, who in previous years tended to celebrate Pessah in hotels, are this year expected to celebrate in private homes. Hotels tend to purchase matzot from local manufacturers, while individuals prefer to buy ones made in Israel. Israel exports matzot to 40 countries. Last year, sales to the US made up 57% of the total volume, sales to Italy generated 10%, sales to the UK, France and Belgium made up 5% each, and Canada and Australia each generated 3%. Matzot sales to North America rose 45% to \$7.1m. Last year, sales to EU countries increased 21% to \$3.3m., while sales to Asia fell 17% to \$68,000 and sales to Africa were down 73% to \$154,000. (IEI24.03)

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### 11: In Depth

#### 11.1 MIDDLE EAST: Highlights of The Global Information Technology Report 2008 - 2009

Denmark and Sweden once again lead the rankings of The Global Information Technology Report 2008-2009, released on 26 March by the World Economic Forum. They are followed by the United States which is up one position, thus confirming its pre-eminence in networked readiness in the current times of economic slowdown. Singapore (4), Switzerland (5) and the other Nordic countries together with the Netherlands and Canada complete the top 10. The Report underlines that good education fundamentals and high levels of technological readiness and innovation are essential engines of growth needed to overcome the current economic crisis.

What follows below are the highlights relevant to the Middle East and associated regions.

#### Main Global Trends

Despite some positive trends, sub-Saharan Africa continues to lag behind the rest of the world by a significant margin, with only two economies (Mauritius and South Africa at 51st and 52nd, respectively) in the top half of the NRI, while 18 rank below 100. In Northern Africa, Tunisia (38th) leads again, with a large and widening gap. Egypt, Morocco and Algeria are at 76th, 86th and 109th, respectively.

By contrast, the Middle East further improves its networked readiness with all countries but one appearing in the top half of the NRI rankings: Israel (25th), the United Arab Emirates (27th), Qatar (29th), Bahrain (37th), Saudi Arabia (40th), Jordan (44th), Oman (50th) and Kuwait (57th).

## Europe

On the other side of the spectrum, Bulgaria (68th) continued to trail behind. While Bulgaria's rank is essentially unchanged from last year, there was a small improvement (from 3.71 to 3.80).

Turkey drops six places from 2007, positioned at 61st, with a homogeneous showing across the different pillars composing the NRI. While the environment appears to be quite ICT friendly (56th), especially in its regulatory dimension (56th), significant room for improvement remains in the readiness sub-index (69th), in particular in ICT accessibility, the quality of education, and the government's vision and e-leadership in ICT diffusion, among others. In particular, Turkey's government readiness, at 87th, receives the lowest mark across the nine pillars.

## The Middle East and Northern Africa

Tunisia (38th) continues to lead in Northern Africa, with its gap with the rest of the region large and widening. The country's successful performance reflects the government's strong emphasis on ICT diffusion (27th and 39th for government readiness and usage, respectively) and rests on a business friendly regulatory environment (29th) and good preparation of the three main national stakeholders to use ICT (29th for the readiness component).

The results for the rest of the region are rather negative, with all countries losing some ground in networked readiness with the exception of Libya (up four positions to 101st). Egypt drops 13 ranks to 76th and Morocco loses 12 to 86th. Algeria is even more worrying, with the country plummeting from 88th to 108th.

By contrast, the Middle East region continues to improve its networked readiness, with all countries but one appearing in the top half of the NRI ranking.

Israel, at 25th, remains the leader in the region, although only by a small margin. A member of the top 20 from 2001 to 2007 consecutively, the country drops seven places because of a poorer assessment in individual readiness (34th) and

individual usage (28th). Both the market environment (17th) and the political and regulatory framework (34th) deteriorate significantly. This does not put into question the fundamentals of

Israel's prowess in networked readiness and innovation, confirmed by its impressive 5th position in the world for the number of utility patents (154.3 in 2007), coupled with its 24th position for high-tech exports (12.7% of total exports). Indeed, Israel's recent development history is an inspiring example of a small, resource-poor country turned into a global high-tech powerhouse in less than 30 years, thanks to the government's coherent vision and strategy.

The United Arab Emirates (UAE) is up two positions at 27th, almost closing the gap with Israel. As mentioned in the historical trend analysis above, the government's push for ICT diffusion and usage has been impressive in recent years, as reflected by the country's 9th and 16th position in the government readiness and usage categories, respectively. The country realizes its largest improvement from 2007 in the environment component, going up seven places to 32nd in this dimension. The business environment is assessed as being quite ICT conducive (24th), with an impressive first and second place for the extent and effect of taxation and for the total tax rate, respectively, and little red tape (5th for the burden of government regulation). The challenge for the country in increasing its innovation potential in the years to come has to do with the quality of its higher educational and research system, which is assessed as poor and does not seem to provide local businesses with a sufficiently large qualified labor pool (75th for the availability of scientists and engineers).

Qatar, at 29th, continues its rise to the top of the rankings, with a cumulated improvement of seven places since 2006, the year of its first inclusion. The country makes significant progress in all three NRI components with gains of 14, 2 and 3 positions in environment (29th), readiness (26th) and usage (31st), respectively. Also on a steep upward trend, Bahrain soars eight ranks to 37 for a total gain of 13 ranks since its first NRI appearance in 2006. As for the UAE and Qatar, the most significant improvements are observed in the environment component (from 50th to 37th this year).

Thanks to progress across the board, Saudi Arabia (40th) improves by eight positions with respect to its inaugural ranking last year. While it places 45 or higher in seven other categories of the NRI, Saudi Arabia's situation presents serious shortcomings in terms of individual readiness (79th), notably the quality of the educational system, especially in math and science (85th). As a result, individual usage remains limited (53rd). While Jordan (44th, up three) and Oman (50th, also up three) are on the rise, Kuwait (57th) drops five places. (WEF26.03)

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## 11.2 ISRAEL: Fitch Rates State of Israel's USD Sovereign Bond 'A'

On 18 March 2009, Fitch Ratings assigned the State of Israel's upcoming 10-year USD sovereign bond an 'A' rating. The rating is in line with Israel's Long-term foreign currency Issuer Default Rating (IDR) of 'A' which has a Stable Outlook.

"The economy has deteriorated rapidly since the beginning of the year, largely reflecting a collapse in exports which, in turn, has fed through to a steep fall in tax revenues. This sovereign bond issue, the first since 2006, comes on the back

of a widening state deficit that could see the broader general government deficit approach 7% of GDP in 2009," says Paul Rawkins, Senior Director in Fitch's London-based Sovereigns team.

Fitch expects real GDP to contract by as much as 1.5% of GDP in 2009, outstripping the recession of 2001-02, when the economy buckled under the weight of the collapse of the dot-com boom and the second Palestinian war on Israel. With fiscal policy constrained by high levels of public debt and slow progress in formulating a new coalition government, the onus of policy stimulus has fallen on the Bank of Israel. The base rate has been cut to 0.5% and may yet fall further, even as the Bank engages in less orthodox monetary policy measures, coupled with intermittent intervention in the foreign exchange market, to contain the appreciation of the shekel and build international reserves. Israel's current account balance has remained in surplus, although it contracted to around 1% of GDP in 2008 from a peak of 5.6% in 2006, while reserves stood at \$40.6bn in February 2009, up from USD28bn a year previously.

The adoption of rules-based fiscal policy in the wake of the last recession has served Israel well; limits on the growth of public expenditure and a ceiling on the state deficit facilitated a contraction in general government debt to 77% of GDP at end-2008 from a peak of 102% in 2003. While this ratio remains high relative to the peer group median of 35%, it is not the most extreme (similarly rated Greece exceeds 90% of GDP). Moreover, other indicators in Israel, notably per capita income, governance and the net external creditor position, have long matched or exceeded the 'A' category median. Nonetheless, such elevated levels of public debt limit the government's ability to mount a fiscal stimulus program to counter the impact of the global economic downturn on the domestic economy.

Given the likely severity of the recession, Fitch acknowledges that the deficit ceiling will be breached and the debt ratio will rise. Based on current trends, Ministry of Finance officials are projecting state deficits of 5.5%-6% of GDP in 2009-10, compared to 2.1% in 2008. "Budget deficits of this magnitude would presage a general government debt/GDP ratio in the region of 90% by end 2010, potentially undermining sovereign creditworthiness, should this upward spike prove to be more than temporary. Such considerations underline the need for renewed commitment to long-term debt sustainability from the incoming government," says Mr. Rawkins.

The authorities expect to meet around 40% of net fiscal financing needs of \$9.6bn in 2009 from foreign borrowing. In addition to the proceeds from sovereign bond issuance, the Jewish Diaspora's State of Israel bonds remain a reliable source of external financing, while borrowing under the US guarantee program does not expire until 2011. While it is unclear whether new fiscal rules will apply to the 2009 budget, which must be approved within 45 days of the new government taking office, Fitch notes that Prime Minister-designate Benjamin Netanyahu was the architect of the most recent phase of fiscal consolidation. Given an appropriate fiscal framework going forward, Israel's powerful public debt dynamics should also start to reassert themselves as the economy begins to recover. (Fitch18.03)

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### 11.3 ISRAEL: Moody's Assigns A1 Rating To Israel's Global Bond Issue

On 18 March 2009, Moody's Investors Service (<http://www.moody's.com>) has assigned its A1 rating to the State of Israel's new \$1.5 billion, 10-year global bond issue. Moody's currently has a stable outlook on the Israeli government's A1 foreign- and domestic-currency debt ratings. "One of the main constraints on Israel's ratings relates to the high government debt, which from time to time also dovetails into the country's susceptibility to political event risk," said

Anthony Thomas, Vice President-Senior Analyst in Moody's Sovereign Risk Group.

The analyst gave the example that during 'Operation Cast Iron' in Gaza earlier this year, Moody's was concerned specifically about the cost of the operation, its duration and the ability of the government to make savings in other areas. "In the event, the budgetary implications appear to have been limited and the projected increase in this year's budget deficit forecast comes overwhelmingly from revenue shortfalls due to the sharp slowdown in growth," said Thomas. "Further, liquidity remained fully available during the operation."

Moody's expects the government's already high debt ratios to rise in the short-term as a result of the economic downturn and other ramifications of the global financial crisis, before resuming their declining trend when the economic recovery begins.

According to Thomas, Israel's track record in weathering a variety of severe shocks in the past makes Moody's confident in its economic resilience and, as a result, its relatively good ability to deal with the global financial crisis. He mentioned that structural reforms earlier this decade have boosted potential growth, investment and export dynamism, although the extent to which this impact may have been overestimated because of the US economic boom is unclear. "As such, Israel's underlying growth momentum could be affected by a slow rehabilitation of the US and other trading partner economies," suggested Thomas.

The analyst said that February's inconclusive elections resulted in some uncertainty as to the make up of the next administration, although this appears to have been resolved and a new government is expected to be formed shortly. He opined that one of its first tasks will be to approve the 2009 budget as the current caretaker administration is still operating under a protocol based on last year's budget, which has allowed government to continue to function.

Thomas cautioned, however, that should political noise increase or remain at a high pitch, raising doubts about the prospective government's cohesion and longevity, this could exacerbate problems already emerging from the global crisis for the country's investment- and export-led growth model. "In combination, these developments would imply a less optimistic view as to the prospects for further substantial improvement in the public debt metrics in the medium term," concluded the analyst.

The last rating action on the State of Israel was on 17 April 2008, when Moody's upgraded the government foreign and local currency bond ratings to A1 from A2, and the foreign currency ceiling for bank deposits to A1 from A2. All other sovereign ratings were affirmed, including the Aa1 country ceiling for long-term foreign currency debt. (Moody's 18.09)

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11.4 ISRAEL: VC's 2008 Exit Report - Summary

The following summarizes merger & acquisition activity of Israeli and Israel-related high-tech companies in 2008. The following data are based on information published in the IVC 2009 Yearbook by the IVC Research Center (<http://www.ivc-online.com>), which for more than 13 years has been at the forefront of Israeli high-tech, venture capital and private equity research. Additional details about Israeli high-tech Exits will be available in the soon-to-be-published IVC 2009 Yearbook (due April).

2008 M&A activity involving Israeli high-tech companies that were either acquired or merged totaled \$2.64b in 84 deals. The number of deals approximated that of the two previous years (85 in 2007, 88 in 2006), while deal value decreased by 19% from that of 2007 and 74% from that of 2006. Average deal size fell more than 18% from \$38m in 2007 to \$31m in 2008.

M&As of Israeli VC-backed companies in 2008 totaled \$1.5b, down 22% from 2007 figures. The number of VC-backed M&A deals at 34 slightly edged ahead of 2007's 33 deals. According to Koby Simana, IVC CEO, "Lower valuations present an opportunity to global technology leaders seeking innovative technologies at bargain prices. We forecast an active M&A market in Israel in 2009 as a result."

The two most noteworthy M&A deals of 2008 were both within the life sciences sector. Johnson & Johnson's Ethicon division acquired Omrix, a provider of bio-surgery and passive immunotherapy products, for \$438m in cash. US medical device and services company St. Jude Medical acquired MediGuide, a firm focused on inter-body navigation and minimally invasive cardiology, for \$300m.

Acquisitions of foreign companies by Israeli firms reached \$9.42b, with approximately 40 deals in 2008. Teva accounted for more than 87% of the total with its purchase of two US-based firms – Barr Pharmaceuticals and CoGenesys – and Bentley Pharmaceuticals of Spain. Information on acquisitions made by other Israeli high-tech companies can be found in the IVC 2009 Yearbook - the Israel High-Tech & Venture Capital Directory - to be published next month.

For the first time since 2003, no IPOs were made by Israeli high-tech companies during calendar year 2008, which reflected the problematic global technology IPO markets.

IVC Research Center (<http://www.ivc-online.com>) is Israel's leading research center providing business leaders with an unmatched wealth of data on Israeli high-tech, venture capital and private equity industries. IVC products and services are used regularly by high-tech companies, venture capital funds, private investors, financial investors and institutions, as well as public entities such as the Office of the Prime Minister, the Central Bureau of Statistics, the Bank of Israel and the Office of the Chief Scientist. IVC publishes the most comprehensive guide to Israeli high technology companies and venture capital - The IVC Yearbook. (IVC25.03)

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11.5 JORDAN: When the Going Gets Tough&hellip;

After turning in strong performances over 2008, Jordanian exporters, in line with the global slowdown, are preparing for tougher times in 2009. However, as investment into the country's transport network increases, they look set to benefit from sustained growth in neighboring markets.

Jordan has largely been buffered from the worst excesses of the subprime fallout, thanks to the relatively sheltered financial sector. However, earlier this month, the Jordanian Prime Minister, Nader Dahabi, told local media that national exports will definitely be affected by the global economic slowdown. Indeed, a recent World Trade Organization study expects global trade to drop by 9%. A fall in exports from Jordan's qualifying industrial zones as a result of the US recession, and decreases in the international commodity prices, will impact national exports this year.

The Arab Potash Company (APC), Jordan's second-largest firm by market capitalization, forecasts lower production levels due to declining demand but maintains that higher profits can nevertheless be achieved as companies renegotiate annual distribution contracts. "Higher prices will more than offset lower production," the APC's chairman, Mohammed Abu Hammour, told OBG. He went on to explain that industrial companies are finding it more difficult to get credit lines, thus keeping minimal inventories and delaying orders with the expectation that prices will fall.

While the reality of 2009 is beginning to sink in, these tougher times follow a record-breaking year for Jordanian exporters. According to the Department of Statistics (DoS), total exports were up 35.9% to \$7.8bn in 2008, from \$5.8bn in 2007. Jordan's biggest exports in 2008 were apparel (\$1.01bn), fertilizers (\$843.6m), crude potash (\$769.1m), crude phosphate (\$520.7m) and pharmaceutical products (\$497.5m).

The country has also, crucially, begun to increasingly diversify its trade portfolio, reducing its dependency on US demand. While Jordan was a regional pioneer for free trade with the US, the American market is no longer as significant today as it once was. "Exports to the US will account for about 10% of total exports in 2009, down from 27% of total exports in 1999," commented Abu Hammour. The three top export markets for Jordanian goods in 2008 were India (\$1.28bn), the US (\$1.04bn) and Iraq (\$807.5m).

The diversification could not come at a better time, as other Middle East and North African countries begin to increase their US-bound export traffic. With Bahrain and Oman signing FTAs with the US, and low-cost apparel exporter Egypt inking a qualified industrial zone agreement, Jordanian exporters are facing increased competition from countries that benefit from cheaper labor and commodity costs. As a result, the country has begun to focus its energy on boosting regional trade volumes, particularly to neighbors like Iraq.

"Companies are starting to face a slowdown of local orders but have been compensating with Iraqi orders, especially for infrastructure projects," Eyad Kodah, the director-general of the Jordanian Free Zones Corporation, told OBG. "The Iraqi government will spend \$70bn for reconstruction and infrastructure projects, and some of that work will pass through Jordan," he added.

Since 2003, Jordan has served as a primary port of entry for Iraqi-bound trade, particularly for destinations in the western provinces. While the stabilization of the country will shift some traffic to Iraq's Gulf ports, and limit US reconstruction traffic, Jordan has taken a number of steps to facilitate the flow of goods and capital between the two countries. One key

step has been the Jordanian government's decision to relax residency rules for Iraqis, which came into effect in February. The new regulations make it easier for Iraqi investors to come and do business in Jordan. Iraqi officials have welcomed the move, with the Iraqi ambassador, Saad Hayyani, telling local press that, "The new measures will encourage more bilateral economic cooperation."

Recent data indicate that this is indeed the case. According to the DoS, exports to Iraq surged by 61% year-on-year. Jordan exported \$82.9m of goods to Iraq in January 2009 compared with \$51.6m in January 2008. This increase made Iraq Jordan's top export market in January 2009, followed by the US (\$74.3m) and Japan (\$46.1m).

Aqaba is in a particularly good position to take advantage of Iraqi reconstruction efforts. Earlier this month the Iraqi transportation minister, Amer Abdul Razzaq, announced that the Iraqi government will rely on the port of Aqaba to transport goods from Egypt to Iraq. According to Abdul Razzaq, imports and trade volume between the two countries will increase significantly during the Iraqi reconstruction phase. The port town has already overhauled its cargo bulk and storage infrastructure, and is set for a further round of improvements in the coming years to expand its capacity and attract additional traffic from other regional ports like Haifa.

"The year 2009 will be the year of survival. Those that make it will be around for a long time to come," Fayez Tarawneh, the chairman of United Arab Investors Company, a multifaceted investment firm, told OBG. Indeed, with the global economic downturn affecting nearly every industry and market, Jordanian exporters will look closer to home to offset lost business elsewhere. (OBG26.03)

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## 11.6 KUWAIT: Moody's Review For Possible Downgrade

On 19 March, Moody's Investors Service (<http://www.moody's.com>) placed the sovereign ratings of Kuwait on review for possible downgrade. The affected ratings are the Aa2 local and foreign currency government bond ratings and the Aa2 country ceiling for foreign currency bank deposits. Kuwait's local currency country ceilings and country ceiling for foreign currency bonds remain at Aa2 and are not included in the ratings review.

"Today's rating action was primarily motivated by the recent resignation of Kuwait's government and the dissolution of parliament - the latest bout in the disruptive conflict between the executive and the legislature. In Moody's opinion, these events reflect an erosion of institutional strength which is of particular concern given the current challenges presented to Kuwait by the global economic and financial crisis," says Mr. Tristan Cooper, Dubai-based Senior Analyst - Vice President in Moody's Sovereign Risk Group.

Institutional strength and policy predictability form a core consideration in Moody's sovereign bond rating methodology and are particularly important for inclusion in the highest rating categories. The erratic and tumultuous policy environment in Kuwait, with both the executive and legislative branches of government affected, is therefore weighing on Moody's opinion of Kuwait's sovereign creditworthiness.

"Moody's ratings review, which typically lasts up to three months, will focus on the degree to which Kuwait's governance and institutional capacity are being undermined and the effect this is having on the country's macro-policy framework. The review will also investigate the fiscal impact of the government's plans to support the flagging private sector and the potential crystallization of mounting contingent liabilities," explains Mr. Cooper. Moody's also notes that transparency regarding the government's financial assets is very poor, which hinders analysis.

However, Moody's is careful to stress the many positive elements that support Kuwait's very high investment-grade ratings. These include an exceptionally strong government balance sheet and net external position, wide fiscal and current account surpluses, a high level of GDP per capita, and extensive oil reserves. Such strengths should enable Kuwait's economy and public finances to absorb potentially large shocks without affecting the government's capacity to repay its debt obligations.

Given these important credit strengths and in the absence of any dramatic further developments, Moody's envisages that any possible ratings downgrade resulting from its review would be confined to one notch. Moody's last rating action on Kuwait was implemented on 24 July 2007, when the rating agency upgraded the country to Aa2 with a stable outlook from Aa3 (review for possible upgrade). (Moody's 19.03)

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## 11.7 KUWAIT: Loosening the Purse Strings

Kuwait's government is looking to fast-track approval for a multibillion-dollar stimulus package, hung up in parliament for almost a month, which aims to increase the flow of capital into the economy, bolster confidence and promote growth. As reported by the Oxford Business Group, having expanded by 5.9% in 2008, Kuwait's economy is expected to contract this year on the back of lower oil revenues. A poll of analysts conducted by the Reuters news agency on March 22 predicted negative GDP growth of 1%, less dramatic than the 1.8% contraction forecast in a Merrill Lynch report in late February.

While the state has provided support for the economy, including assistance to Gulf Bank, which announced losses of \$1.2bn for 2008, there have been delays in implementing a \$5.17bn economic stimulus package approved by the cabinet in early February.

The package, which included support for local investment firms that need to refinance their debt holdings and state guarantees for new loans by banks, was stalled in parliament due to a number of issues. Among these were calls by some deputies for the state to compensate shareholders who lost money on the Kuwait Stock Exchange and for higher levels of investment to boost the economy.

Ultimately, it was left to Kuwait's emir, Sheikh Sabah Al Ahmed Al Jaber Al Sabah, to break the deadlock, accepting the cabinet's resignation on March 16 and then dissolving parliament two days later. The long-running political disagreements could have a direct impact on the economy, with Moody's Investors Service announcing on March 18 that it has placed Kuwait's sovereign ratings on review for a possible downgrade.

A statement by Moody's said the ratings affected were the Aa2 local and foreign currency government bond ratings and the Aa2 country ceiling for foreign currency bank deposits. The move was a reflection of what Moody's said was an erosion of institutional strength and concerns over Kuwait's ability to deal with problems arising from the global economic and financial crisis. "The rating action was primarily motivated by the recent resignation of Kuwait's government and the dissolution of parliament - the latest bout in the disruptive conflict between the executive and the legislature," Moody's statement said.

In fact, the Emir's decision to dissolve parliament could clear the way for the package to be enacted, contrary to the Moody's evaluation. On March 22, the finance minister, Mustapha Al Shamali, told local media the cabinet intended to approve the package a second time and issue a decree to authorize the bill's implementation. "The bill is on the agenda of the council of ministers. It will discuss it and issue it as a decree of urgency," he said.

As yet, there has been no official confirmation that elections for a new parliament will be called within the 60 days set out in Kuwait's constitution. Whenever parliament reconvenes, it will have to vote on any stimulus measures enacted by the cabinet, though their passage through the legislature may be easier if the package is having a positive impact.

The Central Bank of Kuwait is also acting to support the economy and restore confidence, holding a \$617m bond issue on March 18 and announcing a second issue, to be held late in March, with a value of \$317m. Along with a \$367m treasury bond issued earlier in the month, the Central Bank's entry into the bond market aims to provide investment opportunities for local banks that have been reluctant to make loans or investments at a time of economic uncertainty. Both of the first two bond issues attracted bids worth more than five times the amount on offer.

Monica Malik, a Dubai-based economist with EFG-Hermes, said the high level of interest was due to lending concerns by Kuwaiti banks and the sector's risk aversion, though the steps taken by the Central Bank were easing concerns over liquidity. "The fact that the central bank is issuing bonds is a sign that liquidity concerns have come down a lot," Malik said in an interview with the Reuters news agency on March 11.

While the measures taken by the Central Bank and the prospect of an economic stimulus package may restore self-belief in the financial sector, according to the results of a recent survey, confidence in the Kuwaiti economy is not a commodity in short supply among consumers. The latest MasterCard Worldwide Index of Consumer Confidence rated Kuwaitis as the Middle East's most optimistic consumers. Released in mid-March, the survey gave Kuwait an overall rating of 96.6 points, the highest level since the study was first conducted in 2004.

Raghu Malhotra, MasterCard Worldwide's business head for the Gulf region, said the survey showed that the majority of Kuwaiti consumers are not planning to cut back on expenses. "The Kuwaiti business community should see real opportunities in these results as consumers remain the most optimistic in the region and plan to maintain their level of spending," Malhotra said. With further support for Kuwait's financial sector all but assured, and domestic demand strong, the odds are good that confidence in the country's economy will strengthen. (OBG24.03)

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## 11.8 KUWAIT: Health-Care Expenditures

The Oxford Business Group noted that Kuwait is trying to balance the needs of the national economy with the future health needs of the nation, seeking ways to improve infrastructure and services. Even though the global financial crisis is taking its toll, years of generous investment have established a solid health network that the country is working hard to expand. According to local media reports, the Ministry of Health (MoH) is preparing a series of proposals to boost retention rates among foreign doctors. The press reported earlier this year that the ministry would seek cabinet approval for a plan to allow the children of expatriate doctors working in public hospitals to study at state schools, a measure that would reduce their living costs.

Apart from trying to keep staff, the state is also working to improve the facilities in which they work. In 2007 the government announced a \$173.7m master plan to upgrade existing hospital infrastructure and expand bed capacity. Kuwait currently has around 6,000 beds in 15 government hospitals. Plans to increase the number of beds include equipping the Farwaniya and Al Jahra hospitals with an extra 500 beds each.

The cornerstone of Kuwait's push to improve its health infrastructure is the Jaber Al Ahmed Al Sabah Hospital, a \$1.2bn project that will add 1168 beds to the public bed pool as well as a wide range of regular and specialist services. However, this massive project has recently fallen prey to the global economic downturn and the government's drive to cut costs. Though the state's Central Tenders Committee has already approved the bid submitted by a joint venture consisting of South Korea's POSCO Engineering & Construction and local firm Sayed Hamid Behbehani and Sons on February 4, three weeks later it was announced that a new round of bidding would take place. According to media reports, the Ministry of Public Works wants the tender for the hospital reopened to take advantage of falling construction costs. A delay in finalizing the new tender could put the state's program of doubling bed capacity and improving services behind schedule, though any delays are likely to be short-lived.

Although total health-care spending has been on the rise, currently accounting for about 3.7% of GDP, it is low compared to Western nations and even regional economies such as Jordan (10.5%) and Egypt (6.1%). At a time when the national budget is under particular strain, concerns have arisen that public health-care spending may be up for reassessment, with reports suggesting the economy could contract in 2009. A Merrill Lynch analysis in late February said the emirate's GDP could shrink by 1.8% before returning to positive territory in 2010.

The Kuwaiti government is reported to be looking to cut costs for the 2009/10 financial year. Adnan Abdulsamad, the head of parliament's Budget and Final Accounts Committee, said in early February that state expenditure could be cut by 36% for 12 months starting in April. According to a report carried by the local press on February 14, the MoH could be asked to make cuts of \$320m. While the article said this reduction could impact some of the new projects the ministry has planned, including the opening of 19 health centers and the provision of funding support to the private health sector, it should not affect existing services.

One ongoing concern is the country's shortage of medical personnel, with Kuwait working hard to retain qualified staff. Almost two-thirds of the doctors serving in the country and up to 90% of nurses are expatriates, many of whom are employed on relatively short-term contracts. The MoH is continually on the lookout for trained and experienced staff, casting its net far and wide. To overcome the acute shortage of male nursing personnel, the MoH announced in mid-February it was considering recruiting from Yemen, Sudan, Tunis and Morocco.

The Kuwaiti economy is expected to return to healthy growth levels in 2010, and as the country navigates its way through the global economic downturn, it is evident that the authorities have a clear vision of how to ensure the long-term stability of health-care services. (OBG18.03)

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## 11.9 BAHRAIN: Pharmaceuticals & Healthcare Report Q1 2009

Research and Markets (<http://www.researchandmarkets.com>) has announced the addition of the "Bahrain Pharmaceuticals and Healthcare Report Q1 2009" report to their offering. Bahrain Pharmaceuticals and Healthcare Report provides independent forecasts and competitive intelligence on Bahrain's pharmaceuticals and healthcare industry.

For this Q1/09 Pharmaceutical and Healthcare report for Bahrain, forecasts extend from 2008 - 2013. We expect total drug market spending to increase from \$75.1mn in 2008 to \$107mn by 2013. The main drivers for growth are the expanding population and the associated higher demand for healthcare services, in addition to the rising burden of disease attributed to diabetes.

During late 2008, Bahrain was involved in GCC-wide talks to draft bills to regulate traditional and alternative medicines. Concerns over patient safety and the popularity of herbal treatments were highlighted as the main reasons for introducing a regulatory framework. However, we caution that alternative medicines may be popular due to ease of access, in addition to lower cost, in a system where perceived high drug prices will alter consumer behavior. We believe that promoting better access to healthcare services, expanding health insurance uptake and boosting the generic drug industry will be a longer-term benefit to the population.

We believe that resolving the pricing policies of pharmaceuticals in Bahrain must be prioritized. Aside from affordability misconceptions, another issue involves the high cost of medicine imports. During November 2008, pharmacies in Bahrain were requesting permission to increase drug prices after experiencing lower revenues. Unfavorable exchange rates for the dinar against the euro at the point of wholesale drug purchases formed the main incentive for modifying charges. This was in opposition to government officials who were demanding a reduction in medicine prices during this time. Some pharmacies were resorting to desperate measures to regain lost revenue, including preferentially removing cheaper generic drugs from shelves to ensure the public only purchased more expensive patented medicines.

While domestic drug companies focus on distribution, with a preference for branded products, multinationals operating in

Bahrain will be affected by these issues. The rising demand for cheaper drugs will attract foreign generic drug makers to export to Bahrain. Novartis will benefit from its Bahraini generic drug subsidiary Sandoz. However, we note that such opportunities may be hindered by the importers which select patented drugs to raise revenue. We would encourage the government to clarify pricing policies to address this issue. (R&M26.03)

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#### 11.10 UAE: Fuel for the Future

As a regional centre for industrial activity, the emirate of Sharjah is stepping up efforts to meet its energy needs, looking to open up new gas fields at home while expanding its import options abroad. The Oxford Business Group observed that having successfully marketed itself as a centre for industry, Sharjah is now home to around 40% of the industries based in the UAE. Domestic supplies of gas and the electricity it generates had long since outstripped demand.

However, the emirate is becoming more energy hungry, with increased demand from industry, business and the growing population. Despite reserves of around 1.5bn barrels of oil and some 303bn cu meters of natural gas, production is currently insufficient to fuel the expanding economy.

According to projections by the Sharjah Electricity and Water Authority (SEWA), the call on power production is set to more than treble from last year's 1700 MW to 5181 MW by 2025. Despite investing in new generating capacity and at times resorting to importing from the wider UAE grid, Sharjah sometimes struggles to meet its electricity needs, especially in times of peak demand, such as summer.

While generation capacity can be stretched, one of the biggest problems is securing gas to run the emirate's power plants, with local supplies only adequate to meet half of annual demand. This has prompted a renewed push to identify new reserves and open up new fields.

Local firm Dana Gas has begun working to bring a potential major gas field on-line off the Sharjah coast, estimated to contain 8.9bn cu meters of recoverable gas reserves. Last March, the government granted Dana operating rights for a 25-year period at the Zora gas field, after previous concession holders Crescent and Norway's Atlantis Holdings withdrew due to the Norwegian firm being taken over by China's Sinochem.

In late January, Dana announced it was in the process of placing orders for the equipment and materials necessary for the 25-km pipeline to carry the gas ashore and for production facilities. It was also in negotiations with three major offshore rig contractors to obtain a platform and begin work on-site. Dana said it was committing at least \$135m to the project and \$65m for further exploration, a well and further development. If the Zora field proves viable, its output could ease some of the emirate's reliance on imported fuels.

The Zora project will be the first that Dana has undertaken in its own backyard, having concentrated on successfully developing fields in Egypt and northern Iraq. Since being founded in late 2005, the company has established itself as the Middle East's largest private natural gas company, becoming the sixth-largest gas producer in Egypt and taking the lead in developing the extensive gas fields in Kurdish-controlled northern Iraq.

While seeking to identify and exploit new reserves at home, Sharjah is also looking further afield to guarantee its energy security for the future. The emirate has been in long-running talks to import gas from Iran's offshore Salman field. Though an initial agreement was struck in 2001 for Iran to supply 17m cu meters per day, there have been a series of obstacles to the deal, with ongoing disputes between Sharjah's Crescent Petroleum and Tehran over pricing and delivery terms.

Crescent still sees Iran as an opportunity for investment and a long-term source of energy for Sharjah. In early March company officials announced it was keen on investing in Iran's South Pars gas field, which lies in the Gulf between Iran and Qatar. The field is estimated to hold reserves of 14trn cu meters of gas, making it one of the largest in the world. "If the oil ministry accepts this suggestion, we are ready to begin negotiations over the development of some of the phases of the South Pars field," Zaheri told the Iranian news agency Shana on March 7. Getting in on the ground floor of such a massive project could see Crescent become a leading player in the regional gas industry and help secure Sharjah's energy security for the future. (OBG19.03)

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#### 11.11 OMAN: New Foundations

On March 15th the foundation stone of the new information and communication technology (ICT) and business development facility at the Knowledge Oasis Muscat (KOM) complex in Oman was laid, marking another notch on the Sultanate's latest push towards a diversified economy. Construction of the new building, which will nearly double the amount of office space available at KOM, is an encouraging sign of the country's adherence to its long-term development plans despite the stumbling global economy. It also reflects Oman's burgeoning commitment to environmental technology.

Much of the 2009 construction activity in Oman has thus far been centered on industrial and infrastructure projects, with ambitious plans in the Sohar and Salalah development zones, for example, continuing apace.

The expansion of KOM provides infrastructure of a different sort: the crucial space for technology and business incubation that will help to develop Oman's human capital and promote the drive towards a knowledge-based economy, a major tenet of its Vision 2030 development plan.

Established in 2003 under the aegis of the Public Establishment of Industrial Estates (PEIE), KOM has been successful in attracting leading players in the technology field, such as Microsoft, Motorola and Huawei. The new facility will span

eight stories and add 30,000 sq meters of office space to a pre-existing area of 22,000 sq meters.

This latest addition to KOM will expand its current connections with the ICT sector and provide a base for firms working in the creative industry, education and environmental technology. According to Hilal Al Ahsani, the CEO of PEIE, environmental technology holds special potential even amidst a stark economic backdrop. KOM is hopeful that leading companies in the sector will be attracted to the new facility, which encompasses all technological endeavors for sustainable development and responsible use of resources, such as photovoltaic cells for solar power grids and energy efficient appliances. "The global market for environmental products and services is an area KOM is keen to explore, and one that is projected to double from \$1.37trn per year at present to \$2.74trn by 2020," Al Ahsani said.

Indeed, the green technology wave is rolling through the Middle East; the overall environmental market in the region is currently estimated to be worth \$12bn. With energy supply barely able to meet growing demand and governments seeking to maximize oil and gas exports, the Gulf is particularly well suited for environmentally friendly power-supply systems.

The UAE, for example, is noted for its search for clean development initiatives, led by Abu Dhabi's ambitious zero-carbon emissions project, Masdar City. Oman has long had a reputation as an environmentally conscious country and is expected to soon pursue solar energy plants in its quest for cleaner, non-natural gas power sources.

KOM's eagerness to develop environmental technology will hopefully attract innovative green businesses looking to take advantage of the wealth of clean energy opportunities emerging in Oman and the wider region. By building a strong conglomeration of environmental firms, KOM and Oman could build off the sustained global demand for green technology and markedly raise the international profile of the Sultanate in the science and technology sector.

KOM's new facility is seen as an important development in diversification of the economy and is expected to bring about 2000 jobs to the Sultanate over the next five to 10 years. At a time when construction and technology sectors across the region are suffering, the new KOM project is a promising sign that Oman will have a strong foundation for the future. (OBG18.03)

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## 11.12 SAUDI ARABIA: Moving Along

Saudi Arabia is putting significant investments in the upgrading of its whole transport infrastructure, with seaports, airports and road and rail networks across the Kingdom all being expanded. The Oxford Business Group announced that the Saudis announced its biggest budget ever at the beginning of 2009. Of a total of \$126.8bn for 2009, the transport sector is slated to receive \$5.1bn for either new projects or the expansion of existing ones, local media recently reported.

Although Saudi Arabia has for the most part been unaffected by the international economic downturn, large infrastructure projects are known to help revitalize economies when there is a risk of slowdown. Furthermore, according to an industry report, the transport sector in the Kingdom is expected to grow at healthy rates for the coming five years.

Enhancing capacity will be essential if Saudi Arabia's transport network is to deal efficiently with predicted growth patterns. The "Saudi Arabia Freight Transport Report" for the first quarter of 2009 from Business Monitor International predicts that freight transport across the Kingdom will grow at an average of 3.7% a year until 2013. The report also stated that the biggest area of transport growth in Saudi Arabia will be maritime, which is expected to grow at 5.8% a year. Train and airfreight are predicted to grow at 4.7% and 4.2%, respectively.

In recognition of the maritime sector's predicted growth, port infrastructure is set to be significantly upgraded. Competitiveness will certainly be boosted by new projects, like the King Abdullah Economic City Seaport, expected to cost \$5bn and be able to handle about 20m containers a year.

Other existing port facilities in the Kingdom will also be upgraded. The Red Sea Gateway Terminal expansion at Jeddah Islamic Port, for example, will increase capacity of the port by around 45%, according to Aamer Alireza, the CEO and board member of the Red Sea Gateway Terminal. "With the addition of capacity and second-generation vessel capability in Jeddah, you will see more interest among liners to come and do more on the trans-shipment side," he told OBG. At a time when shipping has seen a marked decline as a result of the global economic slowdown, Jeddah's strategic location may help save it from the worst consequences of the crisis. "Luckily for Jeddah, this is a natural port, with great internal demand and a relatively healthy local economy," Alireza told OBG.

Increased port capacity will be needed if Saudi Arabia is to be able to compete with other countries in the Middle East. Regionally, a total of \$33bn is set to be invested during the coming years in seaport projects alone, local media reported. Countries such as the UAE, Libya, Kuwait and Oman are all putting high hopes on increasing the competitiveness of their port infrastructure.

The air transport sector is set to receive \$1.4bn in funding for new projects. This will include expansion of capacity at Jeddah's King Abdulaziz International Airport, as well as modernization work at the Medina and Taif airports, and other projects. Air traffic all over the country is set to grow. Abdulaziz Alhazmi, the vice-president for marketing at Saudi Arabian Airlines, said that current conditions should not deter the increase in passenger numbers. "We have a very strong local demand," he told OBG. "Saudi Arabia is a big country, with 26 airports. We also have a strong international market, with Saudis going overseas and expatriates going home for vacations."

Railroads are not getting left behind: the railway connecting Jeddah to Makkah and Medina is set to be completed by 2012. It will be able to transport 72,000 passengers an hour during peak times, according to local media reports. The Saudi budget also encompasses about \$3.08bn worth of road expansion and upgrading across the country, including 2118 km of farm and village works, as well as the planning and design over 2000 km of highways.

It is not entirely clear yet how the international downturn will impact Saudi Arabia's plans to enhance and develop its transport infrastructure. Although there is a danger that private investors might feel a squeeze from less availability of liquidity, the Saudi government has made clear its commitment to have the development projects go through.

(OBG20.03)

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### 11.13 EGYPT: GDP Growth Seen Between 3.5 - 4% During FY 09/10

Economic growth in Egypt is expected to decline to the 3.5 to 4% range in the upcoming fiscal year, Investment Minister Mahmoud Mohieldin told Reuters in an interview on 20 March. Growth in economic activity for Egypt would stand in contrast to much of the rest of the world where the global recession is cutting into output at a rapid pace. Mohieldin said growth was based upon still strong housing, infrastructure and agricultural sectors, plus dropping inflation rates. A big help for the housing and infrastructure sectors has been declining costs for building materials due to the global economic slump which is lowering commodity prices. "Now we are using more conservative (GDP) estimates and projections, so ranging between 3.5 and 4%. But we are going to be introducing a package, currently, targeting 5% growth," Mohieldin said, without elaborating on the details.

Among the hardest hit sectors will be manufacturing due to its orientation toward exports, he said. Infrastructure makes up 26% of gross domestic product while nonpetroleum manufacturing accounts for 12% of GDP, according to Ministry of Economic Development data. Real estate and construction is 5% of GDP. Earlier, Egyptian Finance Minister Youssef Boutros-Ghali said he expected the economy to grow between 4 to 4.5% in the 2008/2009 fiscal year, which began July 1, from 7.2% a year earlier. On 19 March, the IMF said the world economy will contract in 2009 for the first time since 1945 by between 0.5% and 1.0%. Emerging markets, the IMF said, would see growth slow to 1.5 to 2.5% in 2009 and reach 3.5 to 4.5% in 2010.

#### Falling inflation

Falling economic output and declining commodity prices are helping reduce inflation in Egypt. Inflation eased to 13.5% in the year to February, according to the latest government data. "It is expected to be single digits in the forthcoming weeks and months. It is very, very likely that for the whole year, next year, it is going to be single digits," Mohieldin said. He would not give a target for inflation, citing the government's lack of a finalized framework for it. However, on the budget deficit, the government will target "no more than 9%" in the upcoming fiscal year, Mohieldin said.

He said the government does not foresee a need to tap international markets for financing, adding market conditions would need to improve before it considers a debt issue. Foreign direct investment (FDI) will also decline as a result of the worldwide economic troubles. According to Central Bank of Egypt figures, FDI in the first half of the current fiscal year was \$4.27b. "It is very hard to annualize FDI figures. But, well, if we are keeping pace as it happened in the first half we could be around \$8b. Not bad," he said." (Reuters22.03)

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## 11.14 EGYPT: Spreading the Funds

As the Egyptian economy is tested by the global slowdown, the government is stepping up its public spending efforts. Major infrastructure and housing developments are already under way, but a new stimulus plan will inject more money, and hopefully more growth, into not only the construction sector but also the entire economy.

With the financial crisis deepening and Egypt's GDP growth expected to ease this year to 4%, down from 7% in recent years, the government has committed to doubling its initial stimulus plan. The expanded \$5.3b program will help to partially offset the effects of lower revenues from Egypt's major foreign currency earners: tourism, worker remittances and tolls from the Suez Canal. These normally reliable sources of revenue have already begun to decline, prompting the government to take immediate action - half of the money will be spent in the first six months of 2009.

While the exact recipients of the funding have yet to be announced, there are several projects that could use the additional capital, including ongoing transportation projects and housing shortages. Even before the recession prompted the government to increase spending, Egypt had a long list of infrastructure projects in the works.

In fact, while the new stimulus plan is certainly significant, it dwarfs the amount of investment that is expected in the transport and housing sectors over the next five years. As Egypt works to accommodate the needs of its growing population, the government has allocated substantial funding to infrastructure development. Approximately \$15.9b is expected to be spent overhauling the nation's ports, road and rail networks. The government's plan calls for a mix of public and private investments, with the bulk directed to the country's port system. Over the next three years, \$8.8b of private investments will help to build seven new Nile River ports and deepen the Suez Canal to allow loaded supertankers to navigate through.

Egypt's road network will see a similar expansion under the plan, with four new highways being built for \$5.3b. The government is expected to announce a tender for the Cairo-Alexandria Highway, a \$335.6m upgrade of the 231 km road linking Egypt's two largest cities. Requests for proposals for its construction are due to be announced in the upcoming months. Other highways that have been planned include the Mediterranean Coastal highway, linking Port Said with Marsa Matrouh (\$262.8m); the Shoubra-Banha highway (\$126m); and the Kafr El Zayat-Alexandria highway (\$266.3m).

Although the rail allotment (\$1.77b) is less than the other segments, the funds will go a long way towards revamping and expanding the country's antiquated network. Three major lines are currently being planned: two in Cairo, which will link the capital to 10th Ramadan City and 6th October City, and another that will link Alexandria to Borg El Arab. Additionally, more lines are being added to Cairo's underground metro system, a project that began in 2008 and is set to reach the halfway mark by 2013.

One of the proposed lines for the metro will connect Heliopolis with Cairo International Airport, the target of still more infrastructure investment. Following the completion of a four-year, \$354.6m renovation this year, the airport will be able to serve 11m passengers a year. Egypt's National Tourism Development Plan has earmarked an additional \$887.4m to improve existing airports over the next five years, and another \$1.06b over the next six years to construct new airports. Plans have already been drawn up for the new \$354.6m Mubarak Airport, which will boast a capacity of 15m passengers

annually.

The myriad transport projects are only a part of the government's initiatives to deal with Egypt's rapidly expanding population. The national housing plan will also address the country's chronic residential shortfall, while stimulating the economy. Although other segments are underdeveloped, housing has traditionally been the backbone of the real estate market and looks to remain so in the coming year. While up-market retail, office and tourism may be put on hold until the economic situation is more stable, the huge demand for affordable units will continue and the government has committed funding to ensure its development.

At the time of the most recent government census in 1998, Egypt's housing deficit stood at 4m units, with annual demand estimated at around 570,000 units. Since then annual production has averaged 300,000 units, leaving unsatisfied demand of around 270,000 units a year. Using these numbers as a guide, OBG estimates that the national shortfall has risen over the past decade to around 6m units. To satisfy demand over the next two decades, the government forecasts an annual production of 820,000 units a year.

The need for residential units is such that the matter has become a political issue. President Hosni Mubarak made the provision of 500,000 affordable housing units by 2011 one of his last campaign pledges. As part of the sixth five-year plan, the national housing policy aims to maintain private-sector implementation levels of at least 80%. Total investments in the housing sector for 2006-07 (the last year for which figures are available) reached \$2.77b, a slight fall on the previous year's figure of \$2.92b, but benefitting from a 95% private-sector implementation rate. While this level of financing might be harder to sustain in 2009, with a substantial waiting list and serious government support, affordable housing will continue to draw investments and stimulate the economy.

Until recently, Egypt's rapidly expanding economy was almost able to keep pace with its growing population. Projects conceived during the high-growth years sought to satiate rising demand, but similar programs during these leaner times will also help to stimulate demand in the face of the global recession. By investing in transport and affordable housing, two of the country's most underdeveloped sectors, the government will build much-needed infrastructure while creating jobs and subsidizing growth. (OBG26.03)

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#### 11.15 TUNISIA: Subsidizing Growth

It has taken longer for Tunisia's economy to feel the effects of the global financial crisis, but even the recent signs of slowing growth may hide a silver lining. The downturn in global demand &ndash; which is beginning to have an impact on Tunisia's vibrant export sector &ndash; has dramatically decreased inflationary pressures, which in turn has allowed the Central Bank of Tunisia (CBT) to cut its interest rates to stimulate spending.

Although many emerging markets have been hit hard by the global slowdown, Tunisia has maintained strong levels of growth, buoyed by its banking sector and increasing levels of foreign direct investment (FDI). Growth in 2008 reached

5.1%, down from 6.5% a year earlier, but still impressive, particularly during these lean times thanks to Tunisia's restrictive regulatory policies, combined with the fact that very few banks lend abroad, invest in derivatives or participate in international currency transactions, the sector has thus far remained relatively unscathed.

Still, Tunisia is far from immune to the downturn and the signs of the slowing growth are emerging. The government had forecast growth of 6.1% in 2008, but the recession in the Eurozone has meant that there is less demand for Tunisia's exports. After a record year of 20% growth in exports, the figure is expected to drop to 8.7% in 2009. Textiles and auto parts industries are particularly vulnerable, although the latter accounted for much of the growth in 2008. Because exports account for 45% of gross domestic product (GDP), their declining contribution has played a significant role in the pared down expectations for 2009.

The economy's contraction will be a challenge, but there are some hidden benefits, including slowing inflation which should ease some of the strain. The latest figures indicate that inflation has been decreasing in recent months, mainly due to the drop in global commodities prices. Since its peak in April, inflationary pressures have eased, dropping to 4.5% in October and 4.3% in November last year, with the government forecasting an average of 3.5% for 2009 &ndash; almost half that of 2008.

While the government's attempts to regulate price rises through monetary policy have contributed to the decline in inflation, the fall in bread and cereal prices, as well as fuel costs, has been the main factor. As both a traditional net energy importer and a market highly sensitive to cereal costs, elevated global commodities prices proved troublesome for Tunisia. Indeed, inflation reached a peak of 6% in April 2008 and although it was scaled back to 4.9% by June, it rebounded to 5.2% in July. This level of inflation is particularly troublesome for Tunisia because it subsidizes both oil and cereals, the combined direct and indirect fuel and food subsidies accounted for 7.3% of the GDP in 2008, some \$744.8m. Some of the costs of the bill were offset by revenue from oil and gas royalties, which rose to \$254.1m in 2008 from \$206.6m in 2007, but the subsidies remain a drain on the government's finances.

With inflation dropping, however, the government will not have to spend as much on subsidies, relieving a significant burden of the country 's account balance sheet and freeing up funds for other spending and stimulus programs.

However, while the slowdown does offer some economic benefits to Tunisia's consumers, the drop in export demand is still a source of worry and the government has begun taking a number of steps to boost growth. On February 17 the CBT agreed to reduce its key interest rates by 75 basis points, from 5.25% to 4.50% to stimulate spending. Since the second half of 2007, the CBT began tightening its monetary policy, raising the required reserve ratio from 3.5% to 5% in late November and again to 7.5% in late April 2008 in an effort to tamp down rising inflation. According to a communiqué from the CBT 's Executive Board, the drop of the CPI from 4.1% in December to 3.5% in January prompted the CBT to relax its policies to encourage spending.

By adapting its monetary policy to the current financial realities, the Tunisian government has shown that it is working to sustain the economy during the downturn. Overall numbers may not grow as significantly in 2009 as they have in recent years, but the CBT's efforts will help shore-up the economy so that it will be ready for business once global markets rebound. (OBG26.03)

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## 11.16 MOROCCO: Drug Market Expenditure Estimated at \$1.38 Billion in 2008

Research and Markets (<http://www.researchandmarkets.com>) announced the addition of the "Morocco Pharmaceuticals and Healthcare Report Q1 2009" report to their offering. Morocco Pharmaceuticals and Healthcare Report provides independent forecasts and competitive intelligence on Morocco's pharmaceuticals and healthcare industry.

Morocco is the second-largest pharmaceutical manufacturing industry in Africa (after South Africa) and strategically bridges the gap between Europe, the Middle East and sub-Saharan Africa. These factors, combined with its efficient pharmaceutical approvals process, put it in a strong position within the African market. Morocco's drug market expenditure was estimated at \$1.38bn in 2008, and is expected to reach \$1.89bn by 2013.

In 2008, Moroccans spent an average of just \$43.70 per person on pharmaceuticals, up 16% from \$37.0 per person in 2007. Though this figure represents an increase - and considerably higher than the 2006 level of \$30.90 per person - it remains low by global standards. Considerable credit for this increase can be put down to the introduction of compulsory health insurance in 2006, a development that has allowed many Moroccans to meaningfully participate in the drug market for the first time. Increasing membership of this scheme will raise medicine consumption. However, concerns remain over the long-term financial viability of Morocco's social security schemes.

Despite the undisputed benefits of increasing access to healthcare among the working population, Morocco still has a long way to go to improve services. During the 1990s, poor government investment in public healthcare resulted in the rapid growth of the private healthcare sector in urban areas. New strategies include giving pharmacists greater responsibility in preferentially dispensing generic drugs, as well as reducing corruption and setting up autonomous management boards to remove government involvement in administration. Improved regulations should attract foreign generic pharmaceuticals looking to capitalize on this expanding market, with Indian drug maker Ranbaxy already benefitting from manufacturing and selling products for use in the public health sector.

There is a growing trend to become more efficient in supplying medicines throughout the country. This was highlighted in November 2008 by the announcement of an ambitious program to regulate national medicine supplies using eight distribution bases instead of one, and could ensure that every health provider has appropriate access to drugs. Additionally, the Ministry of Health has adopted a transparent protocol for listing all available medicines in hospitals, which may promote awareness and provide further incentives to organize medicine management.

Morocco is home to North Africa's largest pharmaceutical manufacturing industry. Both domestic drug makers and key multinationals operate local manufacturing operations. Pharmaceutical exports are surprisingly low given the country's manufacturing strength and strategic location. Morocco's pharmaceutical regulation is relatively well developed, however the country's pricing system is less attractive to pharmaceutical companies - drug prices are controlled and a clear distinction is made between locally manufactured drugs and imports, in which case the Director of Medicine and Pharmacy (DPM) sets prices. (R&M26.03)

## 11.17 PAKISTAN: IMF Completes First Review Under Stand-By Arrangement & Approves Disbursement

On 30 March, the Executive Board of the International Monetary Fund (IMF) completed the first review of Pakistan's economic performance under a program supported by a 23-month Stand-By Arrangement (SBA). The completion of the review enables the immediate disbursement of an amount equivalent to about \$847.1m, bringing total disbursements under the program to an amount equivalent to about \$3.93b.

The Executive Board also approved Pakistan's request for a waiver for the non-observance of the continuous performance criterion on non-imposition or intensification of exchange restrictions, on the basis of the authorities' plan to reverse the intensification by end-June.

The SBA was approved on November 24, 2008 for an amount equivalent to about \$7.7b. The arrangement entails exceptional access to IMF resources, amounting to 500% of Pakistan's quota. Following the Executive Board's discussion on Pakistan, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, stated:

"Pakistan's economy is gradually recovering from the macroeconomic and external imbalances of 2007&ndash;08. Policy steps taken by the authorities under the SBA-supported stabilization program, which aims at restoring financial stability while protecting the poor, have been instrumental in this regard.

"The program is firmly on track. The end-December fiscal deficit target, which proved challenging, was achieved through a combination of revenue and expenditure measures. The authorities also made good progress toward addressing the circular debt problem in the energy sector. And, they are taking important steps toward expanding the Benazir Income Support Program in order to provide targeted cash transfers for the poor households.

"Initial developments under the program have been positive. The exchange rate has been broadly stable, enabling the State Bank of Pakistan (SBP) to nearly double its gross reserves since late 2008. Inflation has been falling more rapidly than expected and the external current account deficit has been narrowing. T-bill auctions have been consistently oversubscribed, following the 200-basis point increase in the SBP discount rate last November, and the government has retired some of its debt to the SBP. However, despite improved confidence, credit and money growth have been slow.

"Looking ahead, despite the achievements made in recent months, domestic economic activity has weakened and the global environment has deteriorated significantly. Accordingly, the near-term growth outlook has been revised downward, and economic performance is subject to downside risks.

"Banks have weathered the crisis well, but need to continue to be monitored carefully as the worsening macroeconomic environment may affect banks' asset quality and profitability. The SBP's contingency planning will help detect and

address emerging risks.

"Given the limited scope for countercyclical fiscal policy, the authorities have chosen to adhere to the program's fiscal target for 2008/09 and to continue with fiscal adjustment in 2009/10. They also aim to raise government revenues over the medium term to allow for more public investment and social spending. The authorities' medium-term fiscal strategy will depend on the success of the envisaged ambitious tax reforms.

"The SBP discount rate remains on hold, but there could be scope in the future to lower it if inflation abates further, the external reserve position continues to improve, and the government can sell its T-bills to banks and nonbank private investors. Exchange rate flexibility will continue to facilitate external adjustment. "Pakistan needs additional external assistance to reduce risks, and provide for greater development and social spending. The upcoming donor meeting provides an important opportunity for mobilizing additional assistance," Mr. Portugal said. (IMF30.03)

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#### 11.18 BULGARIA: Moody's Says Bulgaria Economy Stable, 2009 Recession Expected

On 20 March, Moody's Investors Service (<http://www.moody's.com>) affirmed the Baa3 local and foreign currency ratings of the Bulgarian government, saying that the outlook remains stable. "Bulgaria is likely to experience a difficult recession in 2009 as the economy suffers from shrinking exports and slowing inflows of foreign capital... Nevertheless, many years of prudent fiscal policy and low debt mean that the government is well positioned to cope with the situation", Kenneth Orchard, Vice President-Senior Analyst in Moody's Sovereign Risk Group, commented.

Moody's recognizes that the Bulgarian government used the recent period of economic growth to strengthen its financial position, and budget surpluses averaged 2,7% of GDP between 2004 and 2008, debt on GDP base declined to 14%, and a significant fiscal reserve was accumulated.

Domestic credit, external debt and the current account deficit all increased at rapid rates from 2005 to 2008, Moody's announced. The banking sector presently appears to be in reasonably good shape, with relatively high capital adequacy and liquidity ratios by international standards, but these buffers could be quickly eroded if the downturn intensifies, the report shows. "The decline in foreign financing will probably cause a sharp downward adjustment in the current account deficit, implying declining output and weak government revenue growth. However, Moody's believes that low wages and a flexible labor market will ease the adjustment and ultimately allow Bulgaria to rebound when the regional economy improves", Orchard cautions.

Moody's believes that a greater risk comes from the large amount of private sector external debt that must be re-financed in 2009. The last rating action on Bulgaria was implemented on 25 September 2008, when Moody's changed the outlook to stable from position on the local and foreign currency debt obligations of the government. (Moody's20.03)

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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 &euro; 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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