

Fortnightly - April 15, 2009

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1: ISRAEL GOVERNMENT ACTIONS & STATEMENTS

1.1 Jerusalem Approves One Time Institution of a Biannual Budget

On 6 April, following 12 hours of night long debate, the Knesset approved a one-time, two-year budget that will serve the country until the end of 2010. The final vote was 63 - 27. The new budget will actually be valid for only 18 months, as it is not expected to be approved until the middle of this year. This eventuality is also addressed in the new legislation, which nullifies the requirement to pass the budget within 45 days of the government's formation and extends this period until July. Until then, last year's budget will remain in effect. Finance Minister Steinitz explained, "Not all, but most of the many dozens - if not hundreds - of experts with whom we consulted said that a two-year budget at this time is the right idea." He added that a two-year budget provides the stability that is so important during these times of financial uncertainty. Steinitz further said that the legislative change was a one-time affair, and therefore need not be considered tampering with a Basic Law. (IsraelINN07.04)

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1.2 Netanyahu's 1st Cabinet Session Cancels Olmert's \$160 Million Decision

On 5 April, at the first session of the new Netanyahu government, the Prime Minister nullified one of the last decisions of the outgoing government, headed by Ehud Olmert of Kadima. This was a plan to refurbish the Prime Minister's residence in Jerusalem for some \$160 million. Netanyahu said his government would formulate a new, more modest proposal. (IsraelINN06.04)

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1.3 Finance Ministry Targets Illegal Workers

Finance Minister Steinitz plans to deport illegal foreign workers as a way to improve the economy. Immigration Authority head Ganot also has plans to increase compliance by employers in laws requiring them to hire Israelis. Steinitz told ministry officials recently to formulate a plan that would also impose "painful economic sanctions" against employers who hire the illegal aliens. Approximately 25% of the foreign work force in Israel is present illegally, according to Steinitz, who called it "an outrage." Fewer operations against illegal workers were conducted by the Immigration Authority in 2008, thus leading to the influx. Infiltration by Sudanese from Egypt who snuck in through the southern border and pressure from the international community to accept them as refugees has also contributed to the problem. Steinitz plans to strengthen the legal foreign work force by offering those workers financial incentives, according to the Finance Ministry. More than 200,000 Israeli citizens are on the unemployment rolls and that number does not include those who have been deemed ineligible to receive benefits. Ganot plans to improve inter-agency cooperation with a computerized database and to create an enforcement division to go after employers who hire illegal aliens instead of Israelis and legal foreign workers. (IsraelINN12.04)

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2: ISRAEL MARKET & BUSINESS NEWS

2.1 Reglera Announces Opening of New Office in Israel to Service Increased Demand

Lakewood, Colorado's Reglera LLC, one of the world's largest and fastest growing regulatory compliance and quality assurance consulting and outsourcing companies for medical device and tissue bank organizations, announced the

opening of a new office in Israel. Israel is one of Reglera's fastest growing markets, and this expansion will serve to further enhance the convenience and efficiencies in supporting the demand from its existing clients and the growing Israeli market. Reglera's new Israeli office addresses the market's increasing need to act locally while applying world-wide knowledge, systems and intellectual property. Reglera sees Israel as a great opportunity to further leverage our growth. The Israeli medical device market is the largest medical device market in the Middle East, with an overall estimated market size of \$885 million in 2008. Its medical device market is also the largest sector in the growing Israeli life science industry. As of 2007 about 55% of the total life science companies in Israel were medical device companies, while only 12% of Israeli life science companies were pharmaceutical companies, a trend opposite of that found in the United States life science industry. Prior to opening this new office, Reglera has already helped numerous Israeli venture-backed medical device companies successfully navigate and comply with the myriad of regulations and achieve ISO certifications and pre-market approvals (FDA, CE, Health Canada, etc.) in record times. (Reglera01.04)

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2.2 PLYmedia Wins Red Herring 100 Europe 2009 Award

Tel Aviv's PLYmedia, (<http://www.plymedia.com>) a pioneer in enriching online video, was named a winner of the Red Herring 100 Europe 2009 Award which distinguishes the top 100 private technology companies based in the EMEA (Europe, Middle East and Africa). Most successful in increasing multilingual engagement and viewing time for EU countries, PLYmedia's language and closed captioning solution, subPLY, enables online publishers to target an audience beyond native English speakers. With an "in mute" option to facilitate silent video viewing with closed captions, publishers can further accommodate office space viewing and increase longer viewing time. Essentially an interactive editorial tool, ProPLY optimizes use of the video screen through various information overlays. European publishers can create or use PLYmedia's customizable overlay templates that link additional internal content (editorial articles) or other web information of interest to the viewer. (PLYmedia07.04)

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2.3 Elbit Systems Purchases Balance of Shares of Kinetics

Elbit Systems completed the purchase of the shares of its previously 51%-owned subsidiary Kinetics. Under the transaction the Company purchased the remaining 49% of the shares from Kinetics' minority shareholders. The total consideration, which was paid in cash, for the 49% of the shares was \$110 million, which could increase up to an additional approximately \$8 million pending Kinetics 2009 financial results. According to the purchase agreement, Kinetics' current senior management will continue in their present capacities for up to a period of 12 months following the closing. Kinetics, based in Airport City, Israel, and its wholly-owned U.S. subsidiary Real-Time Laboratories, are engaged in the development and manufacture of systems and products in the field of advanced life support and environmental controls, such as climate control systems, biological and chemical protection systems for combat vehicles. It also develops and manufactures other products for land and airborne applications, such as hydraulics, fuel, braking and suspension systems, auxiliary power units for land vehicles and hydraulic systems for aircraft. Kinetics main customers are in Israel, Europe and the United States. Haifa's Elbit Systems is an international defense electronics company engaged in a wide range of defense-related programs throughout the world. The Company, which includes Elbit Systems and its subsidiaries, operates in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence surveillance and reconnaissance (C4ISR), unmanned air vehicle (UAV) systems, advanced electro-optics, electro-optic space systems, EW suites, airborne warning systems, ELINT systems, data links and military communications systems and radios. (Elbit07.04)

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2.4 ClickSoftware to Acquire Assets of Manchitra Services

ClickSoftware Technologies has entered into a definitive agreement to acquire the workforce management business from New Delhi, India's Manchitra Services Private Limited. Manchitra provides solutions in the areas of workforce management, GIS-based network management and GIS based solution development. Its offerings and capabilities include consultancy, products, and software customization and integration. ClickSoftware will acquire all the assets of the Manchitra workforce management business including its product, customers and about 25 employees. All of these assets will be transferred to a newly formed subsidiary - ClickSoftware India Private Limited. Under the terms of the definitive agreement, the consideration for the transaction is about \$2.65m which ClickSoftware will pay in cash at the closing of the transaction. ClickSoftware India along with the acquired employees will also provide ClickSoftware with a base for off-shore research and development as well as the opportunity to expand their implementation services outside of India.

Tel Aviv's ClickSoftware (<http://www.clicksoftware.com>) is the leading provider of mobile workforce management and service optimization solutions that create business value for service operations through higher levels of productivity, customer satisfaction and cost effectiveness. Combining educational, implementation and support services with best practices and its industry-leading solutions, ClickSoftware drives service decision making across all levels of the organization. (ClickSoftware06.04)

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3: REGIONAL PRIVATE SECTOR NEWS

3.1 US Airways-Qatar Airways Codeshare Agreement Enhances Travel to the Gulf Region

Beginning in May, US Airways customers will be able to enjoy seamless travel between the United States and Qatar, thanks to a new codeshare agreement between Qatar Airways and US Airways. The agreement is subject to both United States and foreign government approval. A filing in support of the carriers' new agreement was submitted to the U.S. Department of Transportation in late March. With this new agreement, US Airways customers will have access to Doha, Qatar, and beyond on Qatar Airways, connecting via London Gatwick; Madrid, Spain; Manchester, U.K.; Milan, Italy; Stockholm, Sweden; Zurich, Switzerland; and Athens, Greece. Onward from Doha, US Airways customers can seamlessly connect on Qatar Airways to Dubai, U.A.E. and Kuwait City, Kuwait. Conversely, Qatar Airways customers traveling to the U.S., Canada, the Caribbean and Latin America can do so conveniently via US Airways flights departing London Gatwick, London Heathrow, Frankfurt, Madrid, Manchester, Milan, Stockholm, Zurich, Paris, Munich, Germany, Rome and Athens. (US Airways02.04)

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3.2 Nakheel Confirms Cancellation of \$1bn Construction Contract

Dubai state-owned developer Nakheel confirmed on 6 April that it had cancelled a construction contract with South Korea's Samsung C&T that had included the building of shopping malls. Nakheel said it had taken the decision to reschedule or cancel a number of supplier contracts as a result of a delay to its \$3bn mall expansion program. At the end of last month it announced it was putting the design work and site preparation for the program on hold for 12 months because of the global financial downturn. Samsung said on 3 April that its \$1b order from Nakheel to build apartments, shopping malls and other commercial structures in Dubai had been cancelled. In April last year, Nakheel's retail division unveiled an ambitious shopping mall development program across the UAE. It said it would build five new projects including one on the Palm Jumeirah, its palm-shaped island. Nakheel, which is also behind the ambitious The World project, is owned by state-backed investment group Dubai World. (AB06.04)

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3.3 GE Signs \$200 Million EMAL Smelter Contract

GE Energy, a unit of US conglomerate General Electric (GE), announced on 6 April it had signed a \$200m contract to supply Emirates Aluminum (EMAL) with services for its new aluminum smelter complex. The multi-year contractual service agreement will support EMAL's recent investment in GE gas turbines for the plant, which will become the world's largest single-site Aluminum smelter once completed. Equipped with emission control technologies, the turbines are intended to help EMAL lower its carbon footprint and meet the strict regulatory requirements set by the Abu Dhabi Environment Agency, GE Energy said. GE Energy announced last July it was supplying Frame 9FA gas turbines, C7 steam turbines, heat recovery steam generators and condensers for the project. Equipment shipping began at the end of 2008, ahead of the complex starting operations in April 2010. Since the end of 2006, the firm has announced more than \$8bn in equipment and service agreements across the Middle East, with over 1,000 gas turbines installed. Located close to the Arabian Gulf near Al Taweelah, Abu Dhabi, EMAL's smelter is believed to be the UAE's largest industrial project outside of the oil and gas sector. EMAL is a joint venture between Dubai Aluminum Company Limited (DUBAL) and Mubadala Development Company (Mubadala), a state owned company of the Abu Dhabi government. (AB07.04)

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3.4 Digital Ally Receives Initial Saudi Arabian Order for Dvm-750 Systems

Overland Park, Kansas' Digital Ally, which develops, manufactures and markets advanced video surveillance products for law enforcement, homeland security and commercial security applications, announced that its distributor in Saudi Arabia, Nurizon Corporation, has obtained a certificate and been awarded a license of approval for Digital Ally's in-vehicle digital video systems from the Saudi Arabian Police Forces, a Kingdom-wide emergency services agency. Digital Ally's leading in-vehicle video recording solutions provide an integrated rear view mirror and liquid crystal display, ensuring that there are no moving parts, and existing radios mounted in vehicle dashboards no longer need to be

interfered with. Law enforcement officers are also able to upload video and audio from the vehicle to government servers via encrypted wireless radio technology. In the near future, Saudi officers will also have the option of wearing Digital Ally's unique, patent-pending FirstVu cameras on their uniforms, an offering that is not available from any other in-vehicle video recording providers. The fully Arabized Digital Ally Recording System is fully compatible and integrates easily with the ANPR (License Plate Recognition) and mobile speed enforcement systems provided by major manufacturers through Nurizon Corporation. (Digital Ally06.04)

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4: ISRAEL MACRO-DEVELOPMENTS

4.1 Israel's Environment Minister Seeks Freeze On Coal-Fired Power Plant

New Minister of Environmental Affairs Erdan has asked the acting cabinet secretary to put on the cabinet agenda an urgent discussion of his demand to immediately freeze plans to build a coal-fired power plant in Ashkelon. He also wants Minister of National Infrastructures Landau to submit, within 60 days, an updated plan for the production of electricity that takes into account the recent changes in the economy and based on similar plans in other countries. Israel Electric Corporation (IEC) plans to build two coal-fired units at its Ashkelon power plant with a combined capacity of 1,300 megawatts. The plant already has four power units. The Ministry of Environmental Affairs has already tried to delay construction of the coal-fired power plants, mainly because of their adverse environmental impact, such as hazardous emissions. The ministry is urging the construction of power plants that use either natural gas or renewable energy. Erdan believes that there have been several significant new developments that justify rethinking the construction of the coal-fired power plants, including the new natural gas discoveries at the offshore Tamar and Dalit prospects, and the economic crisis which has reduced electricity consumption. So far as is known, this is the first time that a minister has lent support to the statements by the wells' partners, and said that Israel will rely on the natural gas produced there. (Globes 06.04)

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4.2 Israel's Increased Desalination Plan Gets Going

The Israeli government has signed agreements with the operators of the three seawater desalination facilities at Ashkelon, Palmachim and Hadera to expand production by 25%, adding 57 million cubic meters of fresh water a year to the nation's supply. Over the next six months, the desalination facilities will increase their aggregate output by 10 million cubic meters, with the full increase coming on line by the end of 2010. The Ministry of Finance estimates that most of the additional fresh water will be available ahead of schedule. On 6 April, the Water Authority unveiled its emergency plan to impose a drought levy on anyone who exceeds their water quotas. Water Authority director Prof. Shani added its PR campaign for water conservation was a temporary solution until the real solution - desalination - was ready. Israel's accumulated water deficit is two billion cubic meters. The VID consortium of IDE Technologies Ltd. and Veolia Water SA owns the 105-million cubic meter desalination plant at Ashkelon. The Via Maris Desalination consortium owns the 30-million cubic meter facility at Palmachim. The H2ID consortium has the 100-million cubic meter facility at Hadera, which is still under construction. (Globes 07.04)

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5: ARAB STATE & PAKISTANI DEVELOPMENTS

5.1 Officials Estimate Arab Losses in Current Downturn at \$2.5 Trillion

On 2 April Arab financial officials said that the global economic crisis had cost the region's investors about \$2.5 trillion, offering a sobering look at the challenges confronting the region's leaders despite their repeatedly rosy assessments of their nations' ability to weather the financial downturn. The comments at the start of a two-day Arab Economic Forum focused the spotlight on the damage done in a region that has enjoyed steady growth for the past few years. A leading Lebanese banker and former economy minister said that among the effects of the crisis in the Arab world was a 20 to 60% drop in the region's top stock markets, the decrease in worker remittance revenues and the cancellation of megaprojects. The drop in oil prices affected revenues in oil producing countries and expectations are that growth in the Arab region will drop to about 2.9% in 2009 after an 8% growth in the past two years". He didn't specify whether the \$2.5 trillion in losses also included sovereign wealth funds held by some of the countries. Those funds are secretive and the exact amount of their losses has not been revealed. In tandem with the equity markets slump, the governments of many of the Arab world's top oil producers are seeing revenue fall as oil prices fell from mid-July highs of \$147 per barrel to roughly \$50 per barrel at present. Crude revenues are a mainstay for many of these countries, and the slide is forcing Saudi Arabia, for example, to project a deficit for the first time in 2002. Lebanese Prime Minister Siniora told the gathering that the crisis "ended five years of fast growth in the Arab world" that was the result of the oil boom and a decade of reforms efforts in many Arab countries. Siniora said the crisis should lead to strengthening joint Arab economic activities by mainly investing in what Arab economies need, like infrastructure and education. (JT03.04)

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5.2 One In Three Expats in Mid East Poised To Return Home

Almost one third of expatriates responding to an online poll have said they feel they have no choice but to return home as a result of the current economic crisis. The survey by recruitment website Bayt.com of more than 22,000 expatriates working across the Middle East shows that 28% are looking to leave due to the impact the crisis has had on overseas workers. A further 15% said they would simply prefer to make the move back home, with 22% of the total stating that they would consider moving in the next three months. However, 36%, said that they would remain in the country they currently work in, despite the current economic crisis - and an additional 21% said they would consider working as an expatriate in another country. The poll also aimed to gauge how the economic turmoil was affecting expatriates in terms of finance.

Results show that 69% of responders were saving "more" money, of which 37% said they were saving "considerably" more - most likely as a reaction to safeguard their or their family's finances, the poll-organizers said. Some 26% said that they would reduce their daily spending habits. But only 4% said they would move to a lower cost home, 3% would sell their car and just 1% would sell their investments. Data for the poll was collected online between 8 February to 30 March, attracting a total of 22,708 respondents from across the Middle East. (AB05.04)

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5.3 UAE Invests \$2 Billion in Jordan

The United Arab Emirates UAE currently invests about \$2b in various Jordanian sectors, including industry, hotels, agriculture, banking, energy, real estate and housing as the volume of trade between the two countries hit \$524m last year. Jordanian Minister of Industry & Trade Al Hadidi told a Jordanian investment forum held recently in Abu Dhabi that economic agreements signed by the two countries were of vital importance for cementing economic ties. The deals cover a wide range of sectors, including investment protection and promotion, setting up a free trade zone, commercial and technical cooperation, air services and manpower. Hadidi said the two countries declared the launch of the Zayed Dock project in the port of Aqaba at a cost of \$10b for development of 3.2m square meters of port land with a new 2-kilometer waterfront. The project, which will be completed over about 10 years, also involves development of the port zone by building apartment blocks, hotels and tourist resorts, malls, recreation facilities, business facilities and an aqua marine life centre. The minister also said a total of 2034 companies were now operating at free zones nationwide with a combined capital of \$1.126b, 86% of which is foreign investment. He said the total capital of existing registered companies in the Aqaba Special Economic (ASEZ) since 2001 till 2008 amounted to about \$3.48b. (Petra12.04)

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5.4 Iraq Signs \$128 Million Oil Refinery Contract with Foster Wheeler

On 1 April Iraq signed a \$128 million contract with Foster Wheeler to draw final engineering designs for a 300,000 barrel per day (bpd) oil refinery in its south. Iraqi Deputy Oil Minister al-Shammaa said the design contract did not necessarily give the US engineering company an advantage when it came to bidding for the contract to build the refinery in Nassiriya, 300 km south of Baghdad. Iraq is moving ahead with plans to build or revamp a number of refineries as part of an effort to revive its crumbling oil infrastructure after decades of war, sanctions and neglect. He added that Iraq also signed a \$90m deal with Italy's Nuovo Pignone, a General Electric subsidiary, to install a gas processing unit in West Qurna, a super giant oil field in the south. Iraq has said it plans to boost refining capacity by 840,000 bpd as part of a \$50b plan to overhaul its energy industry and boost production. It has only this year reached a stage where it is refining enough gasoline for its own domestic transport purposes, despite sitting on the world's third largest reserves. In January, Italy's Technip won a contract to design a refinery in Kerbala, in the south, and Stone & Webster, a subsidiary of Shaw Group Inc, last year won contracts to design two refineries in Iraq, in the southern province of Maysan and the northern oil fields of Kirkuk. Iraq sits atop some 116 billion barrels of oil, the world's third largest reserves after Saudi Arabia and Iran, but it needs billions of dollars of investment to overhaul its oil sector. (Reuters02.04)

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5.5 Qatar Makes History As The Emir Inaugurates Qatargas 2

On 6 April Qatargas inaugurated Qatargas 2, the world's first fully integrated value chain liquefied natural gas (LNG) venture marking a historic moment for the State of Qatar. Sheikh Hamad bin Khalifa Al Thani officially inaugurated the project in front of the assembled audience at Ras Laffan City, formally acknowledging the significant achievements Qatar has made in the field of LNG. Qatargas 2 is the culmination of Qatargas' historic project to create a fully integrated value chain. The LNG Trains represent a 50% increase on any performance previously achieved in the global energy industry. Combined, Qatargas 2 consists of three offshore unmanned platforms, two world class LNG Trains, five storage tanks, two loading berths, a fleet of 14 state of the art LNG ships and a receiving terminal in Milford Haven, Wales. The main destination for the LNG will be the specially built South Hook terminal located in the deep-water port of Milford Haven, UK. From there the gas will find its way to customers in the UK natural gas market. Qatargas 2 is capable of providing up to 20% of the UK's natural gas needs.

Qatargas 2 is special not only because it is the first of the Qatargas expansion projects but because it is a first in the LNG industry in terms of train size, new technology, innovations in shipping, workforce levels, marketing, project financing, with close co-operation of international contractors, and the involvement of international energy companies as partners. Some 40 new technologies and £3m of new equipment and systems were implemented in the completion of the project. Low emission technology and waste heat recovery systems are incorporated to reduce emission levels. These innovations have made the Qatargas 2 Trains extremely efficient and one of the lowest emissions LNG plants built to date. (Qatargas 06.04)

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5.6 Qatar Predicts Budget Deficit of \$1.6 Billion

Qatar is predicting a deficit in its budget for 2009-2010 - its first since 2001 - due to the falling oil price. The Gulf state insisted, however, it was forging ahead with huge investment in infrastructure development projects in line with its 2030 vision. The budget is based on an oil price of \$40 per barrel and the deficit has been estimated at \$1.6b. Revenues estimated are QR88.7bn, down from QR103.3bn in the previous financial year when crude rates reached record highs of \$147 a barrel. Spending has been estimated at QR94.5bn, leaving a deficit of QR5.8bn. At least QR37.9bn has been allocated for strategic infrastructure projects in some key areas like health, education and human resource development. Qatar News Agency (QNA), giving details of the new budgetary estimates, quoted Minister of Economy & Finance Kamal as saying the tempo of social, economic and human resource development and the focus on environmental upgrade will be maintained in the new state budget. (AB03.04)

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5.7 Saudi Construction to Contract By 0.7% This Year

Saudi Arabia's construction industry is forecast to contract by 0.7%, down to \$19.38b this year, according to figures from the Business Monitor International (BMI). The estimated value of the Saudi Kingdom's infrastructure market between 2003 and 2013 contracted by 0.2% year on year – putting an end to positive growth. Positive growth is not to return until 2013, the report said, which it said was a direct result of the global economic slowdown. The global slowdown has impacted the construction sector in all the Gulf Cooperation Council (GCC) states and Saudi Arabia has not been immune. High inflation in Saudi Arabia forecast to hit 8% this year was an exacerbating problem. However,

there were some positive indicators too. With construction drying up in other parts of the GCC, most importantly Dubai, a number of developers had set their sights on Saudi as the country to support them, BMI pointed out. Increased government spending to help cushion the country from the global economic downturn, and declining oil revenues, would go to boost most infrastructure and construction industries, it added. (AB04.04)

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6: TURKISH, CYPRIOT, GREEK & BULGARIAN DEVELOPMENTS

6.1 Turkey's New Action Plan Includes Comprehensive Measures Against Crisis

Ankara has disclosed the details of a long-awaited stimulus package that will be implemented over the next three years as part of efforts to heal markets damaged by the ongoing global financial crisis. On 13 April, Economy Minister Simsek and Finance Minister Unakitan, State Minister for Economic Affairs and Deputy Prime Minister Ekren said the "Pre-Accession Economic Program" will first be sent to Parliament for approval and is expected to be completed by the end of 2011. Ekren said the government will accelerate studies to launch an automatic tax system for the whole country by 2010. The government will not create new extra-budgetary funds or arrange the expenditures of local administrations, he explained. Ekren said the government will not halt public investments and is expected to allocate some €12.2b for the Southeastern Anatolia Project (GAP) till 2012. According to the program, the budget deficit to gross national income ratio will be 4.6% this year, 3.2% for 2010 and 2.8% for 2011. The new package will provide for the effective operation of a credit guarantee fund. The minister said they expected a 3.6% contraction in the economy for 2009. The current account deficit is expected to be \$11b in 2009, \$18.6b in 2010 and \$26.4b in 2011. Unemployment will be 13.5% by year-end 2009, while the gross public debt over GDP will be 43.1%. The income sources of local administrations will be enhanced this year.

Turkey's exports will amount to \$104b in 2009 and \$111b and \$120b for 2010 and 2011, respectively. Turkey's foreign trade deficit will be \$34b, \$43b and \$54b for 2009, 2010 and 2011, respectively. The government will concentrate on taking steps to attract more foreign investors. Ekren said consumer confidence in the domestic markets is recovering, while industrial activity is shrinking. Ekren said they followed the developments in the global markets closely and that they will first try to predict the developments in advance and then improve their strategy against the crisis. Finance Minister Unakitan said the government would consider revising the 2009 budget but that there is no need for such a move yet. He said the budget deficit will be more than in previous years. (Zaman14.04)

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6.2 Turkey Rejects Key IMF Loan Condition

On 1 April, Turkish Prime Minister Erdogan rejected a key condition for a possible loan from the International Monetary Fund, which insists that the country apply a strict tax auditing measure. Erdogan said his government was opposed to an IMF condition that would introduce an auditing method to check for consistency between individuals' wealth and their

expenditure. The government opposes the measure fearing it would lead to a flight of capital from Turkey. Erdogan announced this to reporters before heading to the Group of 20 summit in London. An official close to the talks with the IMF said Turkey also had reservations on some other IMF conditions, including revisions to key macroeconomic projections for 2009. Talks with the IMF were suspended in January due to disagreements over issues such as unregistered income, government spending and tax administration. Government officials have said an IMF stand-by loan accord will help Turkey cover its financing needs amid the global economic downturn. Turkey's previous \$10b loan deal with the fund expired last May. (Ekathimerini02.04)

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6.3 Cyprus Sees 2009 Economy Growth Lower Than Expected

The economy of Cyprus could grow by as little as 1% in 2009 as the country struggles with fallout from the global economic crisis, Finance Minister Charilaos Stavrakis said on 7 April. Cypriot authorities had previously said they expected gross domestic product growth to slow to 2% in 2009 as construction and tourism dips. Cyprus's economy grew an estimated 3.7% in 2008. Fourth quarter year-on-year growth was 2.9%. The European Commission expects Cypriot growth of 1.1% this year. Stavrakis said tourism in the first three months had dropped between 10 and 15%, but the country aimed to limit the decline. Cyprus has offered incentives to the tourism industry to bolster arrivals. Its main market is Britain, where potential holidaymakers are shunning the island in favor of cheaper destinations. Tourism contributes about 10.9% to the country's GDP. Inflation in 2009 should be between 1 and 1.5%, lower than previously thought, Stavrakis also said. He had said in January he expected 2009 annual inflation at 2%. March consumer inflation was 1.1%. Lower inflation is due to a fall in energy prices and a general slowdown in the economy. (Reporter08.04)

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6.4 Cyprus Harmonized Inflation Drops Below 1% In March

Cyprus' EU-harmonized consumer price inflation rate dropped to just 0.9% in March, having peaked at 5.3% last July. The main reason for the sharp fall over the year earlier has been falling oil prices. Prices of housing, water, electricity and gas fell in March by 8.7% over the same month of the previous year, while prices of transport fell by 9.6%. However, prices of food and non-alcoholic beverages saw a fairly sharp rise, of 9.1% compared with the same period of 2008 and 1.4% compared with the previous month. The annual consumer price inflation rate in the March was 1.4%. (FM06.04)

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6.5 Cyprus Trade Deficit Shrinks In January

The trade deficit in Cyprus shrank in January according to revised data to €377.3m in compared with €487.6m

in January 2008. Total imports/arrivals (covering total imports from third countries and arrivals from other Member states) in January 2009 amounted to €444.3m, compared with €575.1m in January 2008. Total exports/dispatches (covering total exports to third countries and dispatches to other member states) in January 2009 reached €67.0m compared to €87.5m in January 2008. During January 2009, exports/dispatches of domestically produced goods, including stores and provisions were €35.5m whilst exports/dispatches of foreign goods, including stores and provisions, were €31.5m. (FM10.04)

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6.6 Cypriot Retail Sales Decline a Provisional 0.6% in January

Retail sales volumes in January fell by 0.6% compared with the same month of 2008 according to provisional figures for the month. This was less of a decline than in December, when retail sales fell year on year by 2.8% and in November, when they had fallen by 4.8%. For the whole period January-December 2008 the Index recorded an increase of 6.5% compared to the corresponding period of 2007 according to revised figures. Meanwhile, retail trade turnover by value rose by a provisional 3.5% in January compared with January 2008, having risen by 0.5% in December. For the year as a whole, retail sales values rose by 11.1%. (FM11.04)

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6.7 Cyprus Spends 6.3% of GDP on Healthcare

Cyprus spent 6.3% of GDP on healthcare in 2007, the same as in 2006 according to the annual "Health and Hospital Statistics" report from the Statistical Service of Cyprus (Cystat). In total 63,344 patients were admitted for treatment and discharged from the general hospitals during 2007. In the disease category, "Injury, poisonings and certain other consequences of external causes" had the highest share at 14.6% of in-patients, followed by diseases of the circulatory system with 10.7%, the respiratory system with 9.7% and the digestive system with 9.6%. Surgical operations performed on in-patients recorded an increase of 1.3% over the previous year and reached 30,706. General surgery accounted for 18.9% of all operations performed on in-patients, operations of orthopedic 14.8%, of cardiology 13.3%, of medical 11.0% and operations of gynecology-maternity 8.9%. Expenditure of health services during 2007 is estimated at €976.8m, of which €458.3m represented expenditure of the public sector and €518.5m of the private sector. The share of expenditure as a % to GDP in 2007 remained constant at 6.3%. (Cystat06.04)

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6.8 Bulgaria Trade Records 10.1% February Decrease

The Bulgarian trade sector decreased by 10.1% in February 2009, compared to February 2008. This became clear in a report presented by Bulgaria's National Statistical Institute. The retail trade sector marked a 6.4% fall for the same period. There was an increase though, in the food, beverages and tobacco trade by 3.8% and in the pharmaceutical commerce by 3.4%. That is due to the relatively constant consumption of those goods. All other groups of products showed a marked decline. The computer & communication market, and the automobile fuels trade decreased by 15.4% and 11% respectively. The wholesale trade sector fell by 7.9% in total. An increase was marked in the agricultural raw materials and alive animals trade by 18.1%, and in the non-food consumer goods commerce by 5.8%. The overall decrease is a result of the fall of other wholesale trade sectors, e.g. the machines and appliances trade (down by 21.9%). The cars, motorcycles, technical service and repairs sector recorded the highest decrease – 31.6%. (TSW11.04)

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7: GENERAL NEWS AND INTEREST

*ISRAEL:

7.1 Yom HaShoah - Holocaust Martyrs' & Heroes' Remembrance Day 2009

Israel is to mark Holocaust Martyrs' & Heroes' Remembrance Day, beginning on Tuesday evening, 20 April and Wednesday, 21 April. Holocaust Martyrs' & Heroes' Remembrance Day (Yom HaShoah in Hebrew) is a national day of commemorating the six million Jews murdered in the Holocaust. It is a solemn day, beginning at sunset on Hebrew date of 27 Nisan and ending the following evening. Places of entertainment are closed and memorial ceremonies are held throughout the country. The central ceremonies, in the evening and the following morning, are held at Yad Vashem and are broadcast nationally on television. Marking the start of the day, in the presence of the President and the Prime Minister, dignitaries, survivors, children of survivors and their families, gather together with the general public to take part in the memorial ceremony at Yad Vashem in which six torches, representing the six million murdered Jews, are lit. The following morning at 10:00, the ceremony at Yad Vashem begins with the sounding of a siren for two minutes throughout the entire country. For the duration of the sounding, work is halted, people walking in the streets stop, cars pull off to the side of the road and everybody stands at silent attention in reverence to the victims of the Holocaust. Afterward, there is a central ceremony at Yad Vashem, while other sites of remembrance in Israel, such as the Ghetto Fighters' Kibbutz and Kibbutz Yad Mordechai, also host memorial ceremonies, as do schools, military bases, municipalities and places of work. Throughout the day, both the television and radio broadcast programs about the Holocaust.

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7.2 Israel Honors Fallen Soldiers With Jerusalem Service & National Siren

On Monday night, 27 April and Tuesday, 28 April, Israel will observe Memorial Day. Events to mark Memorial Day for Israel's fallen soldiers will begin at 7:30 P.M. with a ceremony at the Western Wall in Jerusalem, attended by the Prime Minister, other dignitaries and bereaved families. At 8 P.M., a one-minute siren was heard across the country. The siren sounded again, for two minutes, at 11 A.M. Wednesday, marking the beginning of memorial services at each of Israel's

43 military cemeteries. Though a regular work day, activity is usually curtailed and many leave their offices early pending the Independence Day celebrations that follow.

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7.3 Israel's Independence Day – 61 Years Since Sovereignty Regained

Celebrations for the 61st anniversary of Israel's regaining its independence will begin on Tuesday evening, 28 April throughout the country, continuing throughout Wednesday, 29 April. The official observance starts when the state flag is raised to full mast at a national ceremony on Mount Herzl in Jerusalem. Israel Independence Day is celebrated annually on 5 Iyar, which corresponded to 14 May 1948, the date the British mandate ended over the Land of Israel. A religious and national holiday, Yom Atzmaut - Independence Day is a celebration of the renewal of the Jewish state in the Land of Israel, the birthplace of the Jewish people. In this land, the Jewish people began to develop its distinctive religion and culture some. Here the Jews preserved an unbroken physical presence, for centuries as a sovereign state, at other times under foreign domination. Throughout their long history, the yearning to return to the Land has been the focus of Jewish life. With the rebirth of the State of Israel, in 1948, Jewish independence, lost 1,878 years earlier, was restored.

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7.4 Israeli Defense Forces See More Druze than Jews Enlist

The young men of the Druze community continue to boast the highest rate of enlistment to the IDF in Israel. During 2008, over 850 Druze, or 83% of eligible men, enlisted to serve in the army. The IDF's Administration for Special Populations is acting vigorously to encourage Druze recruits to maximize their potential in the IDF and to opt for senior service tracks, in intelligence positions or IAF Pilot Courses. Achieving this goal requires improving the quality of the recruits and their education level. To this end, the first pre-military academy for the Druze sector was opened in Daliat El-Carmel last year. The academy imparts knowledge to its students in fields of leadership, personal empowerment, navigation and improving their knowledge of the Hebrew language. The Administration is also pleased with the rate of enlistment among minorities that are not required by law to enlist, including the Bedouins, Christian Arabs and Muslim Arabs. In 2008, about 370 members of minorities volunteered for the IDF – a sharp rise of 62% from the 2007 numbers. In the most recent recruitment wave, 150 minority youths volunteered. The Administration Head estimated that the number of minority volunteers in 2009 will reach 450. (IsraelINN05.04)

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*REGIONAL:

7.5 Kuwait's Cabinet Sets Parliamentary Elections for May 16

Kuwait's Cabinet has set parliamentary elections for 16 May. Emir Sheikh Sabah Al Ahmad Al Sabah dissolved the house in March and called for new elections, saying some lawmakers had abused democracy and become a threat to stability. An official decree with the date will be issued shortly. It was the second time in a year the ruler disbanded the 50-seat legislature. The move came days after the Cabinet resigned to prevent the questioning of the prime minister by lawmakers accusing him of misuse of funds and improperly running the country. Parliament has oversight powers and the right to question and impeach ministers, but the final word rests with the head of state who can dissolve it. (AP13.04)

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7.6 UAE Human Rights Rejects Recommendations

On 13 March, UAE Minister of State for Foreign Affairs Gargash indicated that the UAE has rejected several human rights recommendations issued by the UN Human Rights Council on grounds of opposing national religious beliefs. Rejected recommendations included the freedom to convert or change religions as well as others related to the creation of labor unions and freedom of expression. Eight other recommendations, including the creation of an independent human rights body are currently under deliberation. Out of the 74 point recommendation list, which was issued a year ago, the UAE has accepted thirty-nine, rejected twenty-one and is still considering the remaining seventeen. (ARB March, 2009)

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7.7 Turkey & Armenia Agree To Open Formal Talks On Three Disputed Issues

Turkey and Armenia have agreed to open formal talks on a number of issues, including opening their joint border, in a step towards the normalization of relations. The two neighbors, who have not had diplomatic relations for more than a decade, will open talks on opening borders, restoring diplomatic relations and setting up commissions to deal with historical disputes, the report said citing diplomats. The Turkish and Armenian governments could soon announce the deal. Diplomats have said the timing of the deal was choreographed to coincide with the visit of U.S. President Obama to Turkey. Turkey and Armenia have no diplomatic relations and their border has been closed for more than a decade over Armenia's invasion of 20% territory of Azerbaijan. Armenia's attempts, with the backing of the Diaspora, to have the international community to admit its claims regarding the 1915 genocide instead of accepting Turkey's call to investigate the allegations, are other disputed topics between the two neighboring countries. Both countries have however been engaged in a normalization process since Turkish President Gul paid a landmark visit to Yerevan last year to watch a World Cup qualifying football match between the countries' national teams. Any move by Turkey to open the border with Armenia is likely to be unwelcomed by Azerbaijan, as recently signaled by high-level officials. Azeri officials have expressed concerns over the prospect and some media reports suggested that Baku might even go one step further in halting the sale of natural gas to Turkey. (Hurriyet03.04)

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8: ISRAEL LIFE SCIENCE NEWS

8.1 Teva Introduces First Generic Adderall XR Capsules in the United States

Teva Pharmaceutical Industries has commenced commercial shipment of its generic version of Shire Pharmaceuticals' Adderall XR (mixed salts of a single-entity amphetamine product) Capsules, 5mg, 10mg, 15mg, 20mg, 25mg and 30 mg. Teva's generic Adderall XR Capsules are indicated for the treatment of Attention Deficit Hyperactivity Disorder (ADHD). In August 2006, Teva's subsidiary Barr Pharmaceuticals entered into a license agreement with Shire as part of a settlement of patent litigation between the parties. Under this agreement, Shire granted the Company the exclusive right to sell a generic version of Adderall XR Capsules for 180 days from the date of commercial launch. 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. (Teva02.04)

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8.2 Teva Announces Approval of Generic Yaz Tablets

Teva Pharmaceutical Industries announced that the U.S. FDA has granted approval for the Company's Abbreviated New Drug Application (ANDA) to market its generic version for Bayer Healthcare Pharmaceuticals' oral contraceptive Yaz (Drospirenone and Ethinyl Estradiol) Tablets. As the first company to file an ANDA containing a paragraph IV certification for this product, Teva has been awarded a 180-day period of marketing exclusivity. In 2008, Teva's subsidiary Barr Pharmaceuticals, entered into a supply and licensing agreement with Bayer. Under this agreement, Teva has the right to launch an authorized generic version of Yaz on 1 July 2011, or earlier in certain circumstances. 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. (Teva01.04)

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8.3 Compugen Announces Inhibition of Angiogenesis by Novel Peptide

Compugen announced that CGEN-25017, a novel peptide antagonist of the Angiopoietin/Tie-2 pathway, has shown inhibitory effects in a model of angiogenesis. These initial results support the potential use of this novel peptide for the treatment of angiogenesis-related diseases, such as cancer, macular degeneration, diabetic retinopathy, psoriasis, arthritis and atherosclerosis. The sequence and potential use of CGEN-25017 was first predicted in silico using

Compugen's DAC Blockers Platform, which was designed to predict peptides that block proteins of interest from achieving certain disease-associated conformations. Using the chorioallantoic membrane (CAM) model, a widely recognized model to examine compounds affecting angiogenesis, CGEN-25017 demonstrated potent dose-dependent anti-angiogenic activity. These findings further support previous data obtained for CGEN-25017 in an in vitro multi-cellular assay of angiogenesis.

Tel Aviv, 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. (Compugen01.04)

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9: ISRAEL PRODUCT & TECHNOLOGY NEWS

9.1 Alvarion Selected by Main Street Broadband for WiMAX Network Deployment in US

Alvarion was chosen by Main Street Broadband, a strategic partner of Xicom Wireless, for deployment of WiMAX networks in its initial RUS (Rural Utilities Service) funded rural market. This is a significant milestone for both entities. Main Street Broadband has received one of the largest RUS funded projects in the US and Alvarion can now deploy its 802.16e BreezeMAX 2300, 2500 and 3650 base stations in a formal RUS funded project. Alvarion has USDA (United States Department of Agriculture) Rural Development acceptance and complies with "Buy American" requirements of USDA Rural Utilities Service. As part of this initiative, Alvarion will deploy its BreezeMAX base station and customer premise equipment (CPE) for the 2.3/2.5/3.65 GHz frequency bands. Alvarion's BreezeMAX platform is a fourth generation OFDM radio access network that provides state-of-the-art 4G functionality in one of the industry's most deployed WiMAX platforms, with commercial deployments around the globe.

Main Street Broadband is a privately held wireless broadband service provider headquartered in Atlanta, GA. Tel Aviv's Alvarion (<http://www.alvarion.com>) is the largest WiMAX pure-player with the most extensive WiMAX customer base and over 250 commercial deployments around the globe. Committed to growing the WiMAX market, the company offers solutions for a wide range of frequency bands supporting a variety of business cases. Through its OPEN WiMAX strategy, superior IP and OFDMA know-how and ability to deploy end-to-end turnkey WiMAX projects, Alvarion is shaping the new wireless broadband experience. (Alvarion02.04)

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9.2 Tower Semiconductor Awards Multi-Year Service Contract to Applied Materials

Tower Semiconductor and Applied Materials have signed a five-year contract to support all Applied Materials wafer processing systems at Tower's Fab 2 manufacturing facility in Migdal HaEmek, Israel. Through its Applied Performance Service program, the most cost-effective and flexible service offering in the semiconductor industry, Applied will provide Tower with committed system uptime at a low, predictable cost that varies with factory loading – a critical benefit at a time of uncertain market conditions. Under the agreement, Applied will service all the Applied Materials tools in Tower's Fab 2, including CVD*, PVD, etch, metrology, RTP, CMP and epitaxial deposition systems. Using an unmatched range of engineering and logistics technologies including Applied's ExpertConnect remote diagnostic capability, a team of local and internationally located Applied certified engineers will provide around the clock support to perform preventive and corrective maintenance, spare parts management, parts cleaning and coating, and analytical services. Migdal Ha'Emek's Tower Semiconductor (<http://www.towersemi.com>) is a pure-play independent specialty wafer foundry. Tower manufactures integrated circuits with geometries ranging from 1.0 to 0.13-micron; it also provides complementary technical services and design support. In addition to digital CMOS process technology, Tower offers advanced mixed-signal & RF-CMOS, Power Management, CMOS image-sensor and non-volatile memory technologies. To provide world-class customer service, Tower maintains two manufacturing facilities in Israel with access to its fully owned subsidiary Jazz Semiconductor's fab in the U.S. and manufacturing capacity in China through Jazz's partnerships with ASMC and HHNEC. (Tower06.04)

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9.3 Clemson University Selects Voltaire to Accelerate Computational Research for Transportation Industry

Voltaire announced that the South Carolina's Clemson University Computational Center for Mobility Systems (CU-CCMS) has selected Voltaire Grid Director InfiniBand switches and 10 Gigabit Ethernet gateways for a high performance computing system based on products from Sun Microsystems. CU-CCMS is a new world-class computational center dedicated to the automotive and transportation industries located at the Clemson University International Center for Automotive Research (CU-ICAR). The 35 teraflop system provides a massive high performance computing infrastructure to address design, development and research issues for leading automotive and general mobility manufacturers worldwide. Computational simulations that previously required many weeks of processor time are now completed within hours, saving time and costs. In one study with an automotive supplier, CU-CCMS researchers reduced turnaround time for new product simulation by over 80%. In another case, prototype development that would have required 12 weeks was replaced with a simulation that requires less than 3 weeks - a 75% reduction in the time required from concept to results.

Ra'anana'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. (Voltaire13.04)

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9.4 OpTier Named a 2009 Hot Company by Network Products Guide

OpTier has been named a 2009 Hot Company by Network Products Guide. OpTier was selected from a global industry analysis of information technology vendors which included both new and established companies in all areas of information technology including security, wireless, storage, networking, software and communications. OpTier was the first company to bring BTM software to the market in 2005. To date, OpTier has deployed its CoreFirst BTM solution in many Fortune 500 and other leading organizations in the financial services, insurance, manufacturing and other industries, and has been praised by the analyst community for its unique approach to BTM, extending traditional management approaches such as BSM and APM to the next level. The company's CoreFirst product enables some of the world's largest and most successful organizations to manage IT from a business perspective using transactions. OpTier's software solutions assure that business transactions flow smoothly within IT applications and infrastructure, without bottlenecks or outages, for improved end-user experience. CoreFirst is a critical solution for organizations adopting virtualization, as well as service oriented and legacy architectures.

OpTier (<http://www.optier.com>), with a Ramat Gan R&D center, harnesses the power of real business transactions with its unique Business Transaction Management (BTM) software solutions. Their CoreFirst product assures that business transactions flow smoothly within IT applications and infrastructure without bottlenecks or outages, for improved end-user experience and reduced cost. The Active Context Tracking (ACT) technology delivers end-to-end visibility - of all business transactions, across all tiers, all the time - by continuously discovering the links between IT components and business services. It also prioritizes IT transactions and processes based on business needs, for true IT optimization. (OpTier 13.04)

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10: ISRAEL ECONOMIC STATISTICS

10.1 Israel's March CPI Rise A Surprise

On 14 April Israel's Central Bureau of Statistics announced that the CPI rose by 0.5% during March, exceeding the pundits' predictions of between zero and 0.3%. The item that contributed most to the rise in the index was housing, which rose 1.6%, compared with estimates of a rise of 1% at most. This item makes up 21% of the general index and is the item with the highest weighting. There were also substantial rises in produce prices, and in prices of meat and poultry. These rises were offset by a decline in price of apparel of between 2% and 4%. Inflation in the past twelve months stands at 3.66%, about 0.5% above the upper limit of the government's target range of 1-3%. March is the first month with positive inflation after four months in which the CPI fell. Despite the surprisingly high inflation figure for March, no change is expected in the Bank of Israel's monetary policy, since inflation is not thought to be a problem in the short to medium term. (CBS14.04)

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10.2 Israeli Diamonds Sparkle in February

Israel National News reported that during February 2009, Israel became the world's leading supplier of polished

diamonds. Despite the sharp decline in the polished diamond trade that began in January, the Jewish State shipped a net worth of \$119.6m in diamonds in February, the highest volume in the world. Israel was followed by India, (\$106.4m), Belgium (\$74.1m) and South Africa (\$65.2m) in polished diamond trade. The United States imported a total of 644,721 carats in polished diamonds, worth \$774m, with an average value of \$1,200.57 per carat. Although the statistics for Israel are positive, when considered in relation to the worldwide trade a year earlier, the economic drop, especially in the United States, becomes more obvious. The February 2009 U.S. import figures represent a 45.6% drop in volume and 53% in value compared to February 2008. The average value of imports declined 13.6%. The U.S. continued to export polished goods, but these exports were slashed by half as well. Exports of 1,595,658 carats worth \$597.96m totaled a respective 46.2% and 45.4% year-over-year decline. The exports carried a comparatively lower average value of \$374.74 per carat. (IsraelNN12.04)

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10.3 Israeli Job Losses Reach All-Time High

On 5 April Israel's National Employment Service (NES) announced an all-time high in monthly job losses. According to the new data, 20,072 people lost their jobs in March, compared with 17,800 in the previous month and 11,800 in March last year. Minister of Industry, Trade & Labor Ben-Eliezer said things were not going to get any easier. The previous monthly dismissal record of 19,700, set in January 2009, was broken. Unemployment is clearly one of the most important issues the new Netanyahu government has to deal with. (Various05.04)

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11: In Depth

11.1 LEBANON: Moody's Government Bond Ratings Upgraded to B2 From B3

On 1 April, Moody's Investors Service (<http://www.moodys.com>) upgraded Lebanon's local and foreign currency government bond ratings to B2 from B3. The primary reasons for this rating action are the substantial improvement in external liquidity, the proven resistance of the public finances to shocks, and the willingness and ability of the country's resilient banking system to finance fiscal deficits. Moody's has also upgraded Lebanon's country ceiling for foreign currency bank deposits to B2 from B3, while its country ceiling for foreign currency bonds has been raised to B1 from B2. Lebanon's local currency country ceilings remain at Ba1. The outlook on Lebanon's sovereign ratings is stable.

"Lebanon's public finances have proven remarkably resistant to serious political and economic shocks in recent years. This is due to the resilience of the country's banking system, which is the government's primary creditor," explains Mr. Tristan Cooper, lead sovereign analyst for Lebanon within Moody's Sovereign Risk Group. "Confidence in Lebanon's financial system has been bolstered by the central bank's large cushion of foreign exchange reserves, which protects the exchange rate peg, and its effective regulation of domestic banks."

Moody's notes that the central bank's foreign exchange reserves rose to \$17.6 billion in January 2009, up from \$9.8 billion at the end of 2007. This places the country's External Vulnerability Index (the ratio of residual maturity short-term debt to official foreign exchange reserves) in a more favorable position to serve as a buffer to shocks while also providing ample cover for the government's maturing foreign currency debt. Following a debt exchange in March 2009, the government does not face a significant Eurobond maturity until March 2010. In 2010 as a whole, the government's Eurobond maturities amount to around \$2 billion. Moreover, the central bank also holds a large amount of gold, worth \$8.5 billion in January, although the liquidity of the gold could potentially be constrained given that parliament must approve its sale.

Lebanon's commercial banks also remain liquid, are well-capitalized and have continued to attract deposits from abroad. Total bank deposits increased by around 14% in the 12 months to January. Moody's notes that Lebanon's banks have not been exposed to toxic financial assets or failed western financial institutions, partly because of rigorous central bank regulations. While there is a risk that bank deposits could fall in the event of a serious political or economic upheaval, Moody's observes that they have displayed a high level of stability during previous crises. The bulk of deposits are sourced from the country's wide and loyal Diaspora.

"Moody's is well aware of Lebanon's significant political and economic vulnerabilities. These include wide twin deficits, a very high public debt overhang, a fractious domestic political environment and a precarious geopolitical location," says Mr. Cooper. The rating agency cautions that the country's heated politics could be stirred up by the elections in June, and that there is no guarantee that the government's weak effectiveness will improve thereafter. Moody's remains concerned by the sluggish progress in implementing much-needed economic reforms. Lebanon's economy is expected to suffer this year as the real sector and the balance of payments are hit by falling external demand and lower inward remittances, symptoms of the global economic slump.

"However, Moody's believes that such risks are adequately encapsulated in a B2 rating, which is low on Moody's global scale," says Mr. Cooper. Moody's also derives reassurance from Lebanon's history of financial support from committed external donors.

The last rating action on Lebanon was implemented by Moody's on 11 December 2009, when Moody's changed the outlook on the country's ratings to positive from stable. (Moody's 01.04)

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11.2 KUWAIT: Energy Sector Consolidating

Kuwaiti officials are confident that the country's hydrocarbons sector remains on target to meet long-term production objectives, despite work being halted on one of the country's largest energy projects. Uncertainty over the global economy, concerns over high costs and political disagreements have caused Kuwait to cancel an agreement for the construction of the Gulf's biggest oil refinery, delay a tender for a major gas processing plant and pull out of a petrochemicals joint venture.

In mid-March, the Oxford Business Group reported that the government announced it had cancelled a \$14.5bn project to build Kuwait's fourth oil refinery, in part a response to opposition claims that the tenders for the project were not awarded competitively and had not been ratified by the Central Tenders Committee. First mooted in 2005, the contracts for the 615,000-barrel-per-day (bpd) Al Zour refinery were given to Hyundai Engineering and Construction, GS Engineering and Construction and Daelim Industrial in May last year. Though the tender may have been cancelled, the project itself is still very much alive, according to Abdulla Al Ajmi, the clean fields project manager at Kuwait National Petroleum Company, and will be re-evaluated by Kuwait's Supreme Petroleum Council. "Eventually the project will have to prove itself in terms of feasibility," he told a conference in Abu Dhabi on March 24. "Market conditions now are different and there will have to be a revisit."

Given time, it is likely that the Al Zour refinery will be built. One of the underlying factors behind the project, the need to provide feedstock for domestic power generation, is still valid, as is the necessity of replacing the ageing Shuaiba refinery, which has a processing capacity of 200,000 bpd. The Al Zour refinery is not the only project suffering from delays. At the beginning of April, the Kuwait Oil Company announced it was pushing back the deadline for bids on a \$600m-\$800m gas processing facility until May, having already extended the bid deadline in March 2009 after contractors submitted a number of technical queries.

One project that is completely off the table is the forming of a petrochemicals firm that would have been world's largest maker of polyethylene. In late December, the Kuwaiti government announced it was withdrawing from a deal struck with US-based firm Dow Chemicals to create K-Dow Petrochemicals. Citing the effects of the global economic upheaval and plunging oil prices, the Kuwaiti cabinet said in a statement issued on December 28 that the \$17.4bn project, only agreed at the beginning of that month, could bring an unacceptably high risk.

The joint venture had been the subject of heated debate in the now dissolved Kuwaiti parliament, with some deputies alleging the new company would not be economically viable and that the agreement to form the firm had not complied with legal procedures. While decisions to defer work on projects such as the Al Zour refinery will affect the short-term timetable for increasing processing capacity, there could be decided benefits to be had, as other countries have found.

Kuwait is not the only major producer in the Gulf to put some of its large-scale energy projects on hold. At the beginning of April, Qatar announced it would delay work on its Al Shaheen refinery for a year to take advantage of falling construction costs. According to Qatar's oil and energy minister, Abdullah bin Hamad Al Attiyah, postponing development of the refinery will likely bring down the budgeted costs to \$10bn from the original \$14.5bn, if the 30% savings in construction cost are taken into account. Similar reductions on the Al Zour project alone could result in savings of at least \$4.2bn for Kuwait.

Kuwait has also made it clear that, while some downstream projects may be put on hold, improving output at the wellheads will continue unabated. Currently, Kuwait has around 10% of the world's identified oil reserves, with stocks estimated at more than 100bn barrels, while gas reserves are put at some 1.7trn cu meters, though not all of this can be commercially recovered.

Wedded to its high level of reserves, Kuwait also has long-term ambitions to boost oil production, plans that extend far beyond the current economic downturn. On March 30, Kuwait Petroleum Corporation's chief executive officer, Saad Al Shuwayeb, said the country's oil production targets were unchanged. "We have the capability to reach 3m bpd. We are targeting 4m bpd by 2020," he said while attending an energy conference. Though the current economic climate may be

cooling enthusiasm for major projects in the upstream segment of the Kuwaiti energy industry, necessity and the expected upturn in growth in the coming years will bring about a revival of large-scale investments, though possibly at a more measured pace. (OBG10.04)

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11.3 QATAR: Improving the Health of the Nation

Qatar is taking health care to a new level, going beyond merely providing medical services to its people and moving towards positioning the country as a centre of research and development, a move the Oxford Business Group feels could bolster the health of the economy as well as the nation.

One of the cornerstones of this policy is the Qatar Science and Technology Park (QSTP), which was officially opened on March 16. A project of the Qatar Foundation (QF), QSTP is part of the larger Qatar Education City, being developed as a key component of the country's program of expanding the skills resources of the community and laying the foundations for a knowledge-based economy. According to Tidu Maini, QSTP's executive chairman, the centre is part of a unique approach to accelerating research "in a nation where education and health care are the centerpiece of a clear national strategy". QSTP is an engine that would drive forward applied research and technology development in Qatar, he said at the park's opening.

Just how quickly that engine is shifting into top gear can be witnessed from a series of new initiatives launched over the past few months intended to strengthen Qatar's role in health research. In mid-March the board of a new company, Virgin Health Bank QSTP, met for the first time in Doha. The company, a partnership between the QSTP and the UK's Virgin Health Bank, was established in early March with the aim of collecting, processing and storing stem cells from the umbilical-cord blood of newborn infants.

The company will build an advanced processing and cryogenic storage facility for the collected stem cells, the first of its kind in the world, and will work with the QSTP and other research institutions to develop stem cell therapies. Umbilical cord-blood stem cell transplants are increasingly being used in preference to bone marrow for conditions such as leukemia and thalassemia, both common in the region. Another plank in this platform was the signing of a memorandum of understanding (MoU) between the QF and General Electric (GE) on March 17, thus creating a partnership to work together on a range of health-care business and research initiatives.

The objective of the joint venture, which will operate out of the QSTP, will be to develop and deliver next-generation health-care technologies and build local research and development capabilities to meet regional and global healthcare needs, according to a statement issued by GE. One of the elements covered by the MoU is the establishment of a jointly funded venture to finance research and development projects, especially in the fields of digital x-ray technology and molecular imaging.

Her Highness Sheikha Mozah bint Nasser al Missned, the head of the QF, said the partnership was a significant

achievement for Qatar in its quest to become a leader in the fields of scientific research and health. "Our work together to research and develop innovative solutions in medical technology is an essential element of Qatar's drive to create one of the most exciting clusters of scientific expertise in the world today," she said.

That cluster will expand further in the second half of this year with the opening of the Qatar Robotic Surgery Centre at QSTP, which will provide training to local, regional and overseas surgeons in the use of robotic technology. With a similar training unit to be operated by the Hamad Medical Corporation, which will also use robotics for surgical procedures, Qatar will gain a cutting edge tool in its campaign to broaden the skills base of its medical sector.

Becoming a leader in targeted medical research is core to Qatar's strategy for building a knowledge-based economy as well as improving medical services, Maini said on November 17 when announcing the project. "The Robotic Surgery Centre is an ambitious but achievable project that will make Qatar a global medical innovator, while delivering real health benefits for the local community," he said.

While the recent focus may have been on medical research, there has been no slowing down in efforts to boost health services in Qatar. On March 18, the health minister, Sheikha Ghalia bint Mohammed Al Thani, said the government was committed to launching one new hospital every year until 2011 at the Hamad Medical City, the state-backed medical complex being built on the site of the athlete's village used during the 2006 Asian Games. "The city will include a pediatric hospital and a neurology hospital," the minister said in an interview with local media. "The Women's Hospital will be shifted to the city and its present facility will be turned over as an orthopedic hospital. By 2011, the Hamad Medical City will be a reality." The minister also said that Qatar's health sector had not been affected by the global economic crisis, and that in fact it was benefitting from the downturn affecting other countries.

While there had been postponements or cancellations of medical projects elsewhere in the region, there had been no scaling back of Qatar's budgetary expenditure on health, she said. With the program of expanding the health-care sector through the opening of new facilities, Qatar was having no difficulty in attracting medical personnel. (OBG08.04)

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11.4 UAE: IMF Executive Board Concludes 2008 Article IV Consultation

On January 9, 2009, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with the United Arab Emirates.

Background

The United Arab Emirates (U.A.E.) macroeconomic performance during 2007–08 was strong, with growth

especially in the construction and services sectors and despite some slowdown in the last quarter of 2008, due to the global crisis. Annual average inflation accelerated, driven by domestic demand pressures (especially rents) and higher import prices (such as prices of food, building materials and skilled and unskilled workers). Higher oil prices contributed to large external current account and fiscal surpluses in both 2007 and 2008.

However, the outlook for 2009 and beyond has become more clouded, as the U.A.E. has been adversely affected by the turmoil in global financial markets. This is evident in a widening of sovereign risk spreads and a sharp downturn in stock markets - most pronounced for real estate companies. Large private capital inflows, driven by expectations of an appreciation of the dirham vis-à-vis the U.S. dollar, largely reversed over the summer of 2008; currency futures indicate that markets no longer doubt the peg. Foreign financing for many corporates has tightened, and a slowdown in real estate and construction seems underway. The global weakening will reduce demand for tourism, trade, and financial services, while lower oil prices may affect public spending. Growth in the non-oil economy is expected to slow down considerably, while inflationary pressures should recede.

The U.A.E. banking system appears adequately capitalized and highly profitable, but risks have risen. Banks' assets and profits increased sharply in 2007 and the capital adequacy ratio stood at 13.3% by mid-2008, above the regulatory minimum of 10%, though somewhat below the level of 2007. However, the fast pace of growth of consumer and real estate loans along with the uncertain outlook for asset prices has raised the risk of a future increase in nonperforming loans (NPLs). Capital outflows, and growing concerns about counterparty risk, have in recent months affected the functioning of the interbank market.

Money and private sector credit growth accelerated further in the first nine months of 2008, and liquidity became tight in late summer. Credit to the private sector rose by 51% (year-on-year) in September 2008, up from 40% in December 2007, with demand driven by the economic boom and highly negative real interest rates. In mid-2008, the central bank took several steps to address a drying-up of liquidity following the outflow of foreign deposits. Subsequently, to preempt spillovers from the global turmoil, the government issued a blanket guarantee for deposits and inter-bank lending for three years, and put in place a \$19b emergency liquidity support fund to provide banks with long-term funding.

The short and medium-term outlook is subject to a number of downside risks arising from the difficult global environment as well as domestic financial vulnerabilities in the wake of the recent real estate and credit boom (especially in Dubai). The main risks to the outlook stem from (i) a more severe global weakening; (ii) further tightening of foreign financing for investment projects; (iii) an increase in the demand for domestic financing adding to banks' stress; (iv) a correction in the real estate market leading to a deterioration of asset quality in financial institutions; (v) a drop in oil prices that constrains the scope for fiscal policy to support growth; and (vi) an unexpected re-emergence of inflationary pressures.

Executive Board Assessment

Executive Directors commended the authorities of the U.A.E. for their outward-oriented development strategy and the impressive performance of the economy in recent years. The U.A.E.'s open economy and established linkages with international financial markets have played a key role in economic diversification and strong growth, but also make the U.A.E. vulnerable to the current global financial turbulence. They referred in this context in particular to the potential impact on external balances and growth through lower oil prices, more constrained access to international financial markets, and weaker prospects for tourism, trade, and real estate. Against that background, and taking into account the likelihood of an easing of inflationary pressures in coming months, Directors agreed that managing the impact of the global downturn and safeguarding financial stability have become the authorities' key policy challenges. Noting that it may be useful to coordinate the U.A.E.'s response to the economic crisis with that of other Gulf Cooperation Council (GCC) members, Directors welcomed the progress made toward coordinating monetary policies indicated by the recent

establishment of the GCC Monetary Council.

Directors emphasized the importance of safeguarding the soundness and functioning of the financial sector, while facilitating a smooth and orderly deceleration in credit growth from an unsustainable pace. They welcomed the actions taken to guarantee deposits and inter-bank lending for three years, and to establish liquidity facilities. They cautioned, however, that contingency plans for a worse-than-expected downturn should focus on safeguarding only systemically important institutions. Going forward, the fiscal costs of assistance to the financial sector will need to be minimized, and incentives provided to prevent a buildup of risky assets.

Directors welcomed the plans to amend the banking law to strengthen the central bank's supervisory and regulatory power and to launch a thorough review of banks' balance sheets, off-balance sheet items, and large exposures. They urged the authorities to improve the classification of loans in order better to assess risks, and to strengthen surveillance over bank and finance company risk management practices.

Directors concurred with the authorities on the need to maintain essential ongoing infrastructure investments to boost productive potential, while reining-in commitments for new projects and rationalizing subsidies. They emphasized that any financial support for corporates should aim to cushion the fallout from the drying up of foreign financing and promote adjustment to a less-buoyant outlook. Directors agreed that if the economic environment deteriorates more than expected, a more active countercyclical fiscal stance would be called for to support growth and employment. Directors welcomed the establishment of the Federal Council to Coordinate Fiscal Policy, aimed at coordinating budgets and expenditures between the emirates and at the federal level and ensuring that the U.A.E.'s overall fiscal stance safeguards macroeconomic stability. They supported plans to introduce a VAT over the next 2–3 years, which would make the budget less vulnerable to oil price fluctuations.

Directors agreed that the exchange rate peg of the dirham to the U.S. dollar remains appropriate, providing a strong and proven anchor in the stormy economic conditions that may lie ahead. They took note of the staff assessment that the real appreciation of the dirham in 2008 and the ongoing reversal of terms-of-trade gains with the recent drop in oil prices may have eliminated any dirham undervaluation.

Directors welcomed the U.A.E.'s participation in the General Data Dissemination System. They looked forward to the establishment of a National Bureau of Statistics, as planned, and the dissemination of monthly CPI data in 2009. They encouraged the authorities to continue to strengthen national accounts and public sector statistics. Directors emphasized that greater transparency on public financial assets and liabilities could help shore up investor confidence.

Directors welcomed the U.A.E.'s active participation in the International Working Group on Sovereign Wealth Funds (IWG) and its endorsement of the IWG's voluntary principles to promote an open and conducive climate for international investment. (IMF13.04)

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11.5 UAE: Dubai - A Slower Pace

The international financial crisis and the ensuing slump in Dubai's property market, which has seen prices for high-end residential units fall dramatically, has flowed on to the emirate's construction sector. As observed by the Oxford Business Group, many projects have been postponed or remain on the drawing board.

However, though there have been widespread retrenchments throughout the industry, with job losses among migrant construction workers one of the factors contributing to a projected 17% fall in Dubai's population, there are also signs the underlying strength of the building sector may prompt a modest recovery in 2010.

The slowdown in the construction sector has affected almost all segments of the industry - residential, commercial and retail. A recent report by the Egypt-based investment bank EFG-Hermes revised earlier projections of residential units that would be completed in Dubai this year. The report, issued in late March, said that around 28,000 units would be delivered in 2009, down from earlier estimates of 45,000. According to EFG-Hermes, tight liquidity and a lack of investor confidence will continue to drag down the property market, which in turn will hurt the construction sector.

On March 24, property developer Nakheel, a unit of the state-owned conglomerate Dubai World, announced it was delaying by one year a series of shopping malls in Dubai and the UAE, valued at \$3bn, in order to ensure its "short-term business model is aligned to meet market demand". The postponement of the retail projects was just the latest step taken by the company to adapt to the new economic climate. At the beginning of 2008, Nakheel announced it had stopped work on a 1,000-metre high tower in central Dubai, while in November it laid off 15% of its workforce.

Emaar, the emirate's other leading developer, recorded a \$1.5bn profit for the year. However, earnings were down 15% on 2007, when the company cleared \$1.79bn, largely due to a \$482m loss in the last quarter of 2008 on the back of write-downs on its US operations but also due to the cooling of the property market at home. In early March, the firm issued a statement saying it was also considering postponing a number of projects, after receiving a petition from investors.

While the private sector may be struggling, it is not all bad news for the building industry, with the state looking to utilize excess capacity by pushing ahead with its infrastructure program. This will not only absorb some of the slack in the building sector but also strengthen the economy's foundations for when the downturn turns into an upswing.

In mid-March, Dubai's ruler Sheikh Mohammed bin Rashid Al Maktoum issued a directive to the Roads and Transport Authority (RTA) to ensure that a \$380m project to upgrade and increase the number of the city's bus stations and domestic ferry piers be completed on schedule. Under the scheme, two new piers are being built along Dubai Creek and another six upgraded while most of the city's bus stations are being expanded, with three more hubs added to the domestic transit network. Another state-backed project is Dubai's new \$4.2bn metro network. The first sections of this light-rail grid are due to start operating in September, with the full 70-km network scheduled to be operating by March 2010.

While work on the metro is on schedule, the economic downturn has prompted the RTA to reconsider opening all of the stations on the two lines. According to Peyman Younes Parham, the director of marketing and corporate

communications for the authority, the slower pace of developments in the construction sector has hit expected passenger demand. "A lot of the stations were built to serve projects in that area. As projects are being delayed there isn't the demand to have the station to serve it," he told a press conference on March 23.

Demand may be down across the board but there are also some positives to be taken from the crisis. The construction sector has benefitted from falling materials costs as global and regional demand eases, with steel prices at a 42-month low in early March and cement prices also dipping. Overall, costs are estimated to have fallen by around 30% in the past year, a factor that could stimulate growth, according to Emil Rademeyer, the director of Proleads, a Dubai-based market research firm. "It's a cheap time to build a project, since it will cost a third less than a year ago," Rademeyer told local media in early February. "The minute the markets pick up again, so will commodities. Now is the time to dust off any infrastructure plans."

Some analysts also see a healthier construction industry developing, one better equipped to deal with market fluctuations as less skilled or competitive firms are forced out of the sector. "Already it's a good thing," Stephen Ashford, the group development director at Omniyat Properties, told a business seminar on March 13. "It's forcing companies to reassess business methods and professionalize in a way that can only be good for Dubai." With analysts predicting that Dubai's real estate market will likely return to positive territory in 2011, after stabilizing in 2010, new construction projects are expected to pick up late this year as leaner and wiser developers look to get ahead of the next wave of property demand. (OBG03.04)

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11.6 SAUDI ARABIA: The Man Who Would Be King?

On 30 March, the Economist Intelligence Unit observed that the appointment of Prince Nayef bin Abdel-Aziz al-Saud, the interior minister, as second deputy prime minister has provided an important clue as to the succession in Saudi Arabia, as this post has traditionally been a stepping stone to that of crown prince. However, the final decision on who becomes the next king or crown prince of Saudi Arabia may lie with the allegiance council, a new body set up in 2006 to decide on the succession.

The elevation of Prince Nayef came in the form of a decree issued by the king, Abdullah bin-Abdel-Aziz al-Saud, on March 27th. The post of second deputy prime minister had lain vacant since the king's accession after the death of King Fahd in August 2005, which was accompanied by the appointment of Prince Sultan bin Abdel-Aziz al-Saud to become crown prince and first deputy prime minister.

The king provided no explanation for the timing of the appointment. However, it appears to be related both to general political factors - it follows a cabinet reshuffle and the inauguration of a new majlis al-shoura (consultative council) - and to concerns about the health of the crown prince, who has been away from the kingdom for several months undergoing treatment for an unspecified illness. The king himself will be away for more than a week at an Arab summit in Doha and at the G20 summit in London.

Octogenarians To Septuagenarians

Both the king and the crown prince are in their late eighties. The tradition thus far in Saudi Arabia has been for the succession to pass to the sons of the kingdom's founder, Abdel-Aziz bin Abdel-Rahman al-Saud, more or less in order of seniority. Of the remaining sons (from a brood of about 50), there are still half a dozen that are older than Prince Nayef, who is aged 75. However, the interior minister has long been regarded as one of the stronger candidates to put his foot on the succession ladder, along with Prince Salman bin Abdel-Aziz al-Saud, the governor of Riyadh, who is aged 73. Indeed, Nayef and Salman have sometimes appeared over the past few months to have been engaged in a form of competition to show the greater solicitude for Crown Prince Sultan's well-being.

Succession Scenarios

The selection of the crown prince was previously the prerogative of the king, although he was required to consult the al-Saud family council. This responsibility has now passed to the allegiance council, a 35-member body made up of sons and grandsons of King Abdelaziz. If the current crown prince were to die before King Abdullah, the king would be required to present up to three nominees for the vacant position for the council to choose from. If the two sides cannot agree on a suitable candidate, the decision will be made by a majority vote of the council's members. The recent promotion of Prince Nayef means that he is in a strong position to become crown prince if Prince Sultan were to predecease the king, but it by no means rules out the chances of Prince Salman or any other ambitious prince.

If King Abdullah were to die before Prince Sultan, the crown prince would normally succeed him, without reference to the allegiance council. However, the October 2006 decree also made provision for the council to activate a medical commission to assess the competency of the king or crown prince to exercise his functions. If Sultan were found to be temporarily unfit to rule, the allegiance council would arrange for the selection of a new crown prince, who would take on the responsibility for ruling in the new king's place. The council would have the power to nominate a new king if Sultan were declared to be permanently incapacitated. The pool of available candidates comprises "sons and grandsons" of King Abdel-Aziz, meaning that the council does theoretically have the discretion to skip a generation.

Hard Man Nayef

Prince Nayef is at the conservative end of what is already a highly conservative political spectrum in Saudi Arabia. In this respect, his promotion is not entirely consistent with the gradual reforms that have been espoused by King Abdullah - the recent cabinet reshuffle, for example, saw the appointment of the kingdom's first female minister and the installation of a liberal education minister, and was accompanied by the removal of renowned hardliners from the judiciary and the religious police. Prince Nayef, by contrast, has recently declared that he sees no need for elections nor for the inclusion of women in the majlis al-shoura. At the same time, however, the promotion of Prince Nayef could be construed as a means to reassure religious conservatives that the scope of political and social reform will continue to be limited.

Prince Nayef's reputation in the West has been affected by his efforts to absolve Saudi Arabia of responsibility for the 9/11 attacks, despite the fact that 15 of the 19 hijackers were Saudi citizens - he was even quoted shortly after the attacks as suggesting that Israel may well have been involved (a not uncommon view in the Arab world at the time). However, after al-Qaida launched a major bombing and assassination campaign in Saudi Arabia in 2003, Prince Nayef's ministry has since earned the reputation of having waged a highly effective counter-terrorism campaign. Hundreds of

suspected al-Qaida militants have been killed or arrested, and the ministry has also claimed to have achieved successful results through public awareness campaigns and through programs to re-educate and rehabilitate former militants. Prince Nayef's son, the deputy minister of the interior, is thought to have played a critical role in these successes.

If Prince Nayef were to become crown prince, and eventually king, he would have to overcome the resentment of some of the other princes, notably Salman, the Faisal branch of the family and the sons of Sultan. However, the Saudi royal family has usually managed to avoid open breaches in family solidarity, and it is likely that next stages in the succession will be smoothly managed. (ViewsWire 30.03)

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11.7 SAUDI ARABIA: Powering Up

Saudi Arabia is aiming to upgrade its electricity generation capabilities, as well as enhance distribution throughout the Kingdom. The country's rising population and industrial demand is putting pressure on the current system, raising the need for more production and distribution capacity. Privatization of the sector and integration with neighboring countries will also bring benefits.

The Kingdom already has one of the highest electricity-consumption rates in the world, estimated at around 7042 kWh per head, according to local media. "Saudi Arabia has a huge consumption level; all the houses are very high on electricity usage," Waheeb A Linjawi, the group president and managing director of Saudi Cable Company, told the Oxford Business Group.

Nevertheless, consumption is anticipated to expand further, as population growth helps to spike demand. Developing the electricity sector is essential if Saudi Arabia is to deal with the expected 45% growth in population over the next decade. The population is estimated to reach 36.4m people by 2020, according to local media reports. "Saudi Arabia is going through a major expansion in terms of population, 60% of which are now below the age of 16. This is potential, but it also brings challenges, because energy consumption will keep growing at a fast pace," argues Linjawi. Demand for electricity is currently growing at 6% per year.

Fostering more competition and encouraging private participation in the country's electricity sector will also enable the Kingdom to deal more efficiently with increasing energy needs. To this end, the government recently announced plans to split Saudi Electricity Company into four different entities in order create a more competitive environment.

The move will entail the division of the state utility, which currently manages the production of about 37,000 MW using 45 plants, into four different companies, each one with a production capability of about 9000 MW. This strategy will also include the creation of two new distribution and transmission companies. The government plans to have the separation of the company ready by mid-2010. Some parts of this process might be easier than others though. "Privatizing the production side is easy, because you mainly allow someone to build and operate a power plant and sell electricity to the country. But the distribution part is the hardest," says Linjawi, referring to the complex and expansive nature of delivering

electricity to individual homes.

Demand for more energy is growing in neighboring countries as well. The six nations that make up the Gulf Cooperation Council (GCC) are expected to need at least 100,000 MW to support growth in the next few years, according to local media reports. The region is also unifying its electricity grid under a \$1.4bn interconnection project intended to transmit electricity between GCC countries.

Saudi Arabia also plans to connect its grid with neighboring Egypt. This would entail building a 1500-km cable through the Red Sea, local media reported. Since the two countries have different peak power demand times, this connection will allow them to trade power when needed, thus avoiding potential shortages.

It is still unclear as to how much the current international economic situation might affect privatization moves and the sector in general. Although potential new projects might be under pressure from credit-squeezed banks, the huge need for more power generation might mean that it will remain a viable investment sector in spite of the current environment. "I don't believe that companies related to the electricity sector will be hugely affected by the crisis, as energy demand is always growing. Energy projects are strategic, and are therefore the last to be suspended," says Linjawi. Whether or not the global financial environment will encourage investment, Saudi Arabia's continued economic and social development is reliant on a consistent and adequate power supply. (OBG07.04)

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11.8 EGYPT: Ramifications of Women's Rights Initiatives

Iman Bibars writes that Egypt's National Democratic Party (NDP) is currently championing two initiatives affecting women's rights: amending the personal status law and instituting a quota for women's representation in the lower house of parliament, the People's Assembly. The first initiative aims at modernizing an outdated personal status law and increasing gender equality. The second would raise the number of elected parliamentary seats to 500 from the current 444, allocating 56 seats to women from all of Egypt's governorates. The NDP says that the principle of "citizenship" - announced as the basis of all NDP political reforms at party conferences for the last several years - motivates both initiatives.

In the short term, a new personal status law may have the greater impact. The NDP has prepared a draft law, which has not yet been made public but will be presented to the People's Assembly during its current session (i.e. within the next few months). The new draft law will unify the procedures of the family court and place each case in a single file, containing all stages of litigation, for the judge.

Several groups, particularly the semi-governmental National Council for Women and National Council for Childhood and Motherhood as well as some non-governmental organizations, have put forward specific proposals to the NDP. For example, the National Council for Women proposed amendments regarding the right of parental visitation. Currently, a child may only meet with a parent who does not have custody in a public place. The Council has also called for a

change in procedures to determine alimony payments. Typically, the woman accuses the man of obscene wealth, while he pleads abject poverty, with a judge forced to choose between the two. The Council has also suggested amendments procedures for litigation in personal status matters, based on advice from legal experts regarding gaps in the law.

The new law is also expected to unify marriage laws and establish procedures for distinguishing between religions; conversions between Christianity and Islam, sometimes to escape religious strictures on marriage and divorce, have created scandals and even violence in recent years. Reportedly, the Ministry of Justice has coordinated closely with Coptic Pope Shenouda in order to incorporate the church's suggestions regarding provisions for marriage of Christians.

NGOs have played an important role in documenting the current living conditions of women and problems such as the disintegration of the family, divorce, working mothers, and street children, to demonstrate that the current family laws are not meeting the needs of women. They have also worked to unify efforts to create pressure for the passage of a new personal status law.

A parliamentary quota for women is not a new idea in Egypt; in 1979, 30 (of a total 360) parliamentary seats were reserved for women, but the provision was discarded in a 1986 electoral law revision. Restoring a quota now would have many advantages. It would provide to women the number of seats that they would occupy were it not for societal restrictions, which have resulted in the People's Assembly having female representation of only 1.2%, with 2.7% in the partially appointed Shura Council. There is also a noticeable decline in the level of female participation in all political institutions - parliamentary councils, political parties, professional and trade unions, NGOs - evidence of discrimination. Clearly political life is in need of female expertise, which will help society develop by raising awareness of the problems and needs of half of its members.

While the NDP appears serious about increasing the number of women in parliament, it is not clear yet exactly which seats will be designated for women or how they will be selected. Will it be, for example, by means of an individual candidacy system, in which two women from each governorate are nominated (one a professional and another a laborer), a party list system, or some combination of the two? The quota is thus part of a larger discussion of overall reform of the oft-revised Egyptian electoral system. But in any case, it seems likely that a quota for women will be in place in time for the 2010 parliamentary elections. The question is no longer whether more women will enter parliament, but rather how this will be accomplished.

Iman Bibars is an international expert in gender issues and president of the Association of the Development and Enhancement of Women in Cairo. (ARB April, 2009)

11.9 TURKEY: Russian Energy Ties To Deepen With Proposed Blue Stream 2 Project

UPI reported that the reverberations of January's natural gas dispute between Russia and Ukraine continue to resound throughout European energy markets. Europe, alarmed by the vulnerability of its supplies, is sounding out new possibilities for transmission of natural gas, including the proposed Nabucco pipeline. Russia, in its turn, is seeking bypass routes around its increasingly nationalist southern neighbor.

A solution to the two conundrums may be found on the southern shores of the Black Sea, in Turkey. Turkey and Russia are already connected by the twin Blue Stream natural gas pipelines laid across the bottom of the Black Sea. Moscow and Ankara are now talking about increasing deliveries through the network, which in 2008 carried 10 billion cubic meters of Russian gas to Turkey.

More importantly, following a meeting on March 26 in Ankara between Turkish Energy Minister Hilmi Guler and Gazprom chief Alexei Miller, discussions are underway about the Blue Stream 2 project. The new proposal envisages the construction of a new gas pipeline, running parallel to Blue Stream, in addition to the construction of a gas transportation system in Turkey by expanding Blue Stream to interlink with the proposed Samsun-Ceyhan line, from which a spur line would proceed under the Mediterranean to Ashkelon in Israel.

For Turkey, which currently imports 90% of its energy needs, the project would not only provide increased energy security but, in the case of the Samsun-Ceyhan-Ashkelon pipeline, generate significant transit revenues. Discussions have also looked into the possibility of extending Turkey's gas lines across its Thracian territory to supply the neighboring Balkan nations Bulgaria, Serbia, Croatia and western Hungary. In such an event, Moscow will have achieved one of its cherished goals, lessening its dependency on the Ukrainian pipeline network for transit. In such a case, Moscow's and Ankara's aspirations are in close accord; should the lines be built, the loser would be Ukraine.

As things currently stand, the existing capacity of the Blue Stream is not being fully used. Last year, only 10 bcm of gas was pumped through the two pipelines, which have an annual capacity of 8 billion cubic meters apiece. In 2006, the first full year of Blue Stream's operation, the lines delivered 7.5 bcm of gas; in 2007, 9.5 bcm.

Forming the impetus for Blue Stream more than a decade ago were some of the same issues that caused the recent Russian-Ukrainian dispute. In 1997, when Blue Stream was first discussed, Turkey's sole natural gas import pipeline for Russian gas ran from Russia through Ukraine, Moldova, Romania and Bulgaria. Not only did the four nations collect transit tariffs, making the gas more expensive for end user Turkey, but there were well-founded suspicions in both Moscow and Ankara that significant amounts of gas were being pilfered along the route. A direct binational line running under the Black Sea from Russia to Turkey, despite its cost, would obviate such concerns. Accordingly, construction of Blue Stream began in 2001 and, despite some initial deliveries in 2003, pricing disputes kept the line from being officially inaugurated until November 2005. Taking care to ensure a reliable supply of gas even before construction began, in 1997 Turkey's state-owned crude oil and natural gas pipelines and trading company Boru Hatlari Ile Petrol Tasima A.S., known as BOTAS, signed a 25-year contract for supplies with Gazprom.

Blue Stream is an impressive feat of engineering. The \$3.2 billion, 754-mile pipeline begins at Russia's Izobilnoye natural gas plant in Stavropolskii krai before crossing 246 miles of the Black Sea underwater to end at Turkey's Durusu terminal, 40 miles from Samsun. The line was constructed by the Gazprom-ENI joint venture Blue Stream Pipeline B.V. The underwater sections of the line were built by Saipem, Buig Offshore S.A. and Katran K, along with a Japanese consortium of Mitsui, Sumitomo and Itochu. At its deepest section, Blue Stream lies at a depth of 1.3 miles. Besides pressure issues, designers also had to contend with the Black Sea's hydro-sulfuric environment, forcing engineers to develop special technical solutions, including the use of high-quality corrosion-resistant steel pipes with external and internal polymer coatings.

Moscow and Ankara intended the Blue Stream pipeline to lay the foundation for an enhanced strategic energy partnership between the two nations, to serve as a precursor to joint participation in energy and transport projects. As noted above, Ukraine would be the ultimate loser should all the various project details be implemented, but in the great regional energy chess match, Kiev is not taking the threat to its pipeline network lying down, and ironically, they are being

aided and abetted by EU bureaucrats, whose energy concerns were heightened by last January's events.

On March 23, Ukraine and the European Union signed a declaration in Brussels that could see Europe give Ukraine \$2.57 billion to modernize its gas pipeline network, on the condition that Kiev guarantee transparency of transshipments of gas along with equal access to pipelines for all interested exporters. The arrangement was immediately criticized by Russian Prime Minister Vladimir Putin, who threatened to review his nation's energy relationship with the European Union should Russian interests be ignored, labeling Ukraine's plan "ill-considered and unprofessional."

Applying Putin's adjective of "ill-considered" to its dealings with Ukraine is apt. The European Union wants to have its natural gas as well as its cake, dangling NATO membership in front of Kiev, a gesture that infuriates the Kremlin, while simultaneously attempting to diversify its energy supplies at a time when Russia supplies more than a quarter of its natural gas. For Russia, an upgraded Blue Stream would be insurance against the vagaries of Ukraine's policies, while Turkey clearly sees the benefit of becoming an energy corridor. As Russia turns increasingly toward Turkey and, by extension, the Middle East market, Brussels bureaucrats might question the wisdom of their eastward policies of enticing Ukraine while antagonizing Russia and make some serious course corrections, lest next winter they again find themselves experiencing the big chill. (UPI02.04)

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- Israeli Shekel conversions done at a rate of NIS 4.00 = \$1.00
- Turkish Lira conversions done at a rate of NTL 1.60 = \$1.00
- Euro conversions done at a rate of € 1.00 = \$1.25
- Jordanian Dinar conversions done at a rate of JD 1.00 = \$1.41
- UAE Dirham conversions done at a rate of Dh 3.66 = \$1.00
- Omani Rial conversions done at a rate of OR 0.385 = \$1.00
- Pakistani Rupee conversions done at a rate of Rs 60 = \$1.00

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