Fortnightly - August 05, 2009

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1: ISRAEL GOVERNMENT ACTIONS & STATEMENTS

1.1 Fischer Resumes Purchasing Dollars to Prop Shekel Rate

On 3 August, Bank of Israel Governor Fischer announced he is buying another $100m worth of dollars to prop up the shekel-dollar rate, which dipped below the $1 = NIS3.74 level earlier on that day for the first time in a year. Traders immediately reacted by selling shekels, and the rate by the next morning soared to near the 3.86 level. The Bank of Israel explained that instead of regular purchases of the dollar, which the Bank has been buying on a regular basis since the rate plummeted to 3.25 two years ago, it will buy dollars from time to time. It explained the purchases will take place "when there are extraordinary movements in the exchange rate...." The most recent move came less than a day after Fischer consulted with Finance Minister Steinitz on how to combat the strong shekel, which damages exports and profits to exporters, who receive fewer shekels for dollars when the rate is low. However, analysts are skeptical that the purchase of dollars will have any long-term effect. Pundits say it will be difficult to prop up the shekel forever, particularly in the face of expectations that the American dollar will weaken further on the world market. (IsraelNN04.08)

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1.2 Government Committee to Lower Bezeq Rates

Israel's Ministry of Communications has set up a committee to review telephone rates of Bezeq The Israeli Telecommunication Co., which could lead to lower rates in a few months. A rates decision is crucial for the telecommunications market as a whole, because it could affect the rates structures for cellular calls as well. The rates committee should reach a decision in a few weeks, after a delay of over a year when the previous rates agreement with Bezeq expired. Bezeq asked the Ministry of Communications at the time not to set up a new rates committee because it understood that its government-controlled rates would be slashed following a thorough restructuring, which could lead to lower rates. Bezeq's competitors could suffer from lower telephony rates, which would make it harder for them to compete against it. On the other hand, consumers will probably benefit from a rates cut at Bezeq, which raises the question why the Ministry of Communications delayed convening the rates committee until now. It also raises the question whether the delay contributed to Bezeq's higher profits. Interestingly, for the first time the rates committee will be mandated to examine different rates models and allow a fixed payment for a fixed basket of services. In the cellular market, there is a clear global trend of operators establishing fixed rates for unlimited cellular calls and mobile Internet access. This trend also appears in the landline telephony market, and the question is whether the rates committee will have the authority to allow a fixed fee. (Globes 04.08)

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1.3 Ben-Eliezer Unveils Plan To Integrate 135,000 Workers Over The Next 10 Years

Minister of Industry, Trade & Labor Ben-Eliezer plans to integrate 135,000 people into the workforce by removing obstacles that inhibit the entry of ultra-Orthodox, Arab women and the handicapped. The Ministry will allocate NIS 175 million a year for 10 years to finance the plan. Ben-Eliezer commissioned the ministry's research division to conduct a study of the labor market and the population's participation rate. It focused on two questions: how many people who do not work on a regular basis can be integrated into the labor market, and which segments of the population should be the focus of the plan. For Israel to be one the 15 leading countries in terms of per capita income within a decade, it needs to increase the participation rate in the labor market and improve economic fundamentals, according to the study. While the average labor-participation rate in the G7 countries is 74%, in Israel it is 71%.

The study recommends a target of 13,500 people a year joining the workforce over the next 10 years, in addition to natural growth of 80,000 to 100,000 people entering the job market year-on-year. The study recommends the integration of 60,000 Arabic women, 35,000 ultra-Orthodox workers and 40,000 people who have disabilities. The Reut Institute has embraced the Israel 15 Vision, which calls for Israel to become one of the 15 leading countries in terms of quality of life within 15 years, particularly in the areas of economic and social development. Ben-Eliezer also plans to implement measures that will help people with handicaps to establish 150 to 200 new businesses. In addition, the ministry will take steps to help avert the closure of existing businesses that are having difficulties. The ministry said it would allocate NIS 5m for this project. (JP04.08)

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2: ISRAEL MARKET & BUSINESS NEWS

2.1 TAT Technologies Not Moving Operations of its Tulsa, Oklahoma Based Subsidiary

Gedera, Israel's TAT Technologies announced that it had determined not to go forward with the planned relocation of the operations of its Tulsa, Oklahoma based subsidiary Limco Airepair to North Carolina. The principal reason for this decision was that TAT had received requests from a number of Limco's significant customers that the operations remain in Tulsa. In addition, unanticipated costs significantly diminished the anticipated savings from the relocation. TAT Technologies provides a variety of services and products to the military and commercial aerospace and ground defense industries through its Gedera facility in Israel, as well as through its subsidiaries, Bental Industries in Israel and Limco – Piedmont in the US. TAT's activities in the area of OEM of Electric Motion Systems primarily relate to the design, development, manufacture and sale of a broad range of electrical motor applications for airborne and ground systems. TAT's MRO services include the remanufacture, overhaul and repair of heat transfer equipment and other aircraft components, APUs, propellers and landing gear. TAT's Limco subsidiary operates FAA certified repair stations, which provide aircraft component MRO services for airlines, air cargo carriers, maintenance service centers and the military. (TAT28.07)

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2.2 Fitch Affirms 3 Israeli Banks Ratings

Fitch Ratings (http://www.fitchratings.com) affirmed Bank Hapoalim's (Hapoalim) and Bank Leumi's (Leumi) Long-term Issuer Default Ratings (IDRs) at 'A-' with Stable Outlook. Fitch has also affirmed their Individual ratings at 'C', Short-term IDRs at 'F2', Support ratings at '1' and Support Rating Floors at 'A-'. At the same time, Fitch has affirmed First International Bank of Israel's (FIBI) ratings at Long-term IDR 'BBB+' with Stable Outlook, Individual 'C/D', Short-term IDR 'F2', Support '2' and Support Rating Floor 'BBB+'.

"Operating environment in Israel remains challenging. Higher loan loss provisions as asset quality weakened, especially in Q109, have led to lower operating profitability and internal capital generation. Fitch expects these pressures to persist in H209 and 2010", says Zarema Lyanova, Associate Director in Fitch's Financial Institutions team. The IDRs on all three banks reflect Fitch's view of the level of support likely to be provided, in case of need, by the Israeli authorities. The Individual ratings on Leumi and Hapoalim reflect the banks' strong franchise in Israel, stable funding base and business mix, all of which support overall income generation through an economic cycle. Together, Leumi and Hapoalim dominate the banking sector with around 60% of the market share in Israel. FIBI's Individual rating reflects the bank's position as Israel's fifth-largest bank, asset quality that is better than some peers, which reflects its niche status, and its adequate funding and liquidity.

The three banks' Individual ratings also reflect the existence of high borrower and industry concentrations and a material proportion of impaired loans to equity. While the level of impaired lending has fallen in recent years, it has started to increase since the beginning of the global crises and Fitch expects this trend to continue. As a consequence, while capital ratios have been improving, increasingly due to tier II instruments, overall levels of capitalization for these banks are viewed by Fitch as moderate given the extent of net impaired loans and pressure on profitability. Transparency with regards to asset quality is also lacking. In Fitch's rating criteria, a bank's standalone risk is reflected in Fitch's Individual ratings and the prospect of external support is reflected in Fitch's Support ratings. Collectively these ratings drive Fitch's Long- and Short-term IDRs. (Fitch04.08)

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2.3 Insightix Joins the McAfee Security Innovation Alliance

Insightix announced it has joined the McAfee Security Innovation Alliance (SIA) partner program. As part of this program, Insightix will integrate its Business Security Assurance (BSA) solution suite with McAfee ePolicy Orchestrator (ePO) software. By providing total network visibility to the ePO platform, ePO software administrators will have a broad view of network, device and user information. The adoption and installation of new IT technologies is constant, and as a result, a knowledge gap frequently exists between the perceived and the actual security state of an enterprise's network. Many devices may reside on enterprise networks without being known to IT managers and security administrators. The integrated joint solution will provide McAfee customers with more complete visibility of unmanaged devices on their networks, helping them better assess their risk, and enabling faster corrective action to reduce that risk. Insightix BSA provides 24x7x365 network, device and user intelligence, maintaining a real-time inventory of ALL assets connected to the enterprise network, their profiles and the identities of those using the assets. Network information is continuously collected to reflect the actual real-time state of the network. The real-time network situational awareness provided by Insightix BSA is the foundation needed, by every security solution.

Ra'anana's Insightix (http://www.insightix.com) is an innovator of real-time security intelligence and control solutions. Insightix patent-pending technologies are used to detect, identify profile, audit and control ALL devices connected to your network, providing real-time network, endpoint and user intelligence. Insightix discovers an additional 20%- 50% of the devices residing on the enterprise network, devices that otherwise remain undetected, and automatically audits for the security configuration of endpoints based on the asset classification information collected. (Insightix28.07)

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3: REGIONAL PRIVATE SECTOR NEWS

3.1 Pottery Barn to Enter Persian Gulf Market Next Year

US home furnishing brand Pottery Barn is to open four stores in Dubai and Kuwait next year after signing an agreement with regional retail giant MH Alshaya. The GCC stores would be parent company Williams-Sonoma's first outlets outside the US and Canada. (AB30.07)

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3.2 Qatar Scores Coup Riding Porsche Feud to Get 17% Volkswagen Stake

Qatar's ruling emir, Sheikh Hamad bin Khalifa Al-Thani, has come out on top of a power struggle thousands of miles away in Germany, where the Porsche dynasty is losing control of the sports-car maker. German press reports unanimously declared VW the victor in a bitter corporate struggle with Porsche, its biggest shareholder, after both agreed to settle their differences and get on with a merger. VW and Porsche agreed to form an integrated auto manufacturer within which Porsche could retain its independence. Now, Porsche sportscars are set to become VW's 10th brand, with autonomy similar to that enjoyed by another high-end VW unit, Audi. Qatar will own 17% of VW with options accumulated from Porsche, making the Gulf kingdom the third-largest investor in Europe's biggest carmaker. Qatar used its $63b sovereign wealth fund to give the world's second-richest country behind Liechtenstein investment clout, snapping up stakes in established brands or troubled companies in need of cash. Four years after its inception, the fund has become the biggest shareholder in Barclays, J. Sainsbury and Credit Suisse.

Qatar emerged as an investor after the carmaker's unsuccessful bid for Volkswagen created a rift between CEO Wiedeking and Wolfgang Porsche on the one side, and Volkswagen Chairman Piech on the other. The takeover attempt saddled Porsche with €10b in debt. Qatar will provide a €750m loan to Porsche. Wiedeking agreed to step down, paving the way to integrate Porsche's car manufacturing into Volkswagen alongside brands such as Audi and Bentley. The Porsche SE holding company will remain Volkswagen's biggest shareholder with about 51% of the shares, while the federal state of Lower Saxony will own 20%. (Bi-ME 24.07)

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3.3 Supermarket Chain Plans UAE Expansion

A supermarket chain which caters primarily to the 2.5 million south Asian expats in the UAE has announced plans for a major expansion of stores. Al Adil Supermarkets said that it will be opening four new retail outlets this year, taking its tally to 10 by the end of this year. The company currently runs six retail outlets in the UAE, three in Dubai, two in Sharjah and one in Abu Dhabi. The planned four new stores will be set up in strategic locations where the company has zero presence. Al Adil Supermarkets will be entering Ajman and Ras Al Khaimah for the first time after 25 years of operations in the UAE. In each of its outlets, Al Adil Supermarkets sells more than 4,000 food and household items. Al Adil Group has a manufacturing and repackaging plant in Dubai where it produces and packages spices, lentils, pickles, flours, and other South Asian food items under the Peacock brand. The company's range of products has won it a customer base that includes prestigious five-star hotels, reputed catering companies, supermarkets and restaurants. (AB29.07)

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3.4 Smoothie King Egypt Expansion Signals International Trend Toward Healthy Living

New Orleans' Smoothie King, the 1973 originator of the nutritional fruit smoothie, is showing its pioneering spirit again by leading the way to making healthy alternatives and high-quality meal replacements available to consumers in Egypt. The company also recently announced its expansion into Egypt with 20 stores planned to open there in the next few years. Egypt consumers are just now starting to focus attention on health and fitness, and Smoothie King can help foster that trend and help consumers reach their fitness and health goals. Smoothie King is a privately held, New Orleans-area-based franchise company and the premier Smoothie Bar and Nutritional Lifestyle Center in the industry. Smoothie King offers guests the original nutritional fresh-blended smoothie and healthy retail products, including sports beverages, energy bars, healthy snacks, vitamin supplements, herbs, minerals and other sports nutrition products. (Smoothie King 29.07)

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3.5 Emerging Capital Partners Invests in Two North African Construction Companies

Washington, DC's Emerging Capital Partners (ECP), an international private equity firm focused on investing across the African continent, announced that it has acquired controlling stakes in two North African construction sector businesses. The equity investments in Shoresal and Almes, totaling $26.2m, are part of ECP's strategy to expand its North Africa portfolio. In Algeria, ECP has acquired a $13.8m stake in Shoresal, a real estate development company. Shoresal will use ECP's investment, in part, to finance the development of a 14-story Class A office tower in the Bab Ezzouar business district of Algiers. In Morocco, ECP has invested $12.4m in Almes – the holding company of Entreprise Marocaine de Travaux (EMT) and Somadiaz. EMT is a construction company specializing in public works infrastructure projects such as dams, levees and airports. Somadiaz is an equipment leasing company that provides specialized equipment to commercial and industrial clients. EMT and Somadiaz will use ECP's investment to extend the scope of their business offerings in Morocco as well as expand into neighboring countries – such as Libya and Mauritania – where demand for public works and other construction services are also high. ECP made this investment in partnership with Alliances Developpement Immobilier, a leading integrated real estate and tourism group in Morocco. (ECP28.07)

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4: ISRAEL MACRO-DEVELOPMENTS

4.1 Egypt Signs New Gas Deal With Israel

A new deal was signed on 28 July to export Egyptian natural gas to Israel, an agreement that will last at least 17 years. The Egyptian-Israeli consortium Egyptian Mediterranean Gas (EMG) finalized terms on a new deal to supply gas to the Israeli company Dorad Energy, an agreement that was initially struck in 2007. The terms of the new deal are that EMG will supply around 12.5 – 16 billion cubic meters of gas to Dorad Energy over a period of 17 – 22 years at a cost of $2.1 – 3.3 billion. EMG is a private company whose main Egyptian stakeholder is businessman Hussein Salem. The Israeli government offered support in helping frame the agreement between EMG and Dorad Energy. The original gas deal with Israel was met with vehement local opposition, namely because of the initially favorable price, spearheaded by the popular campaign to prevent the export of Egyptian gas. Dorad Energy intends to use the gas to construct the largest private power station in Israel with a capacity of 800 megawatts. The station is due to be completed in 2010. The original deal was struck in an MoU signed in 2005 between the two countries. The contract was initially for 15 years guaranteeing a supply of 1.7 billion cubic meters a year at the price of $1.5 per million BTU (British Thermal Units). In June, Egypt increased the volume of gas exported to Israel after agreeing to an increase in the price. (DNE29.07)

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4.2 Yam Tethys Wins Major IEC Gas Supply Contract

Globes reported that Delek Group subsidiary Yam Tethys has beaten Egypt's East Mediterranean Gas Co. (EMG) to win a $1 billion natural gas supply contract with Israel Electric Corporation. Yitzhak Tshuva controls Delek, which owns 53% of Yam Tethys, while Noble Energy owns 47%. Energy sources believed from outset that Yam Tethys could offer a lower price than EMG and that Yam Tethys had the better chance of winning the tender. Last year, IEC published a tender for the supply of up to five billion cubic meters of natural gas over a five-year period beginning in 2009. The gas will power IEC's power stations that will be built as part of the company's emergency plan, beginning in the summer of 2009. (Globes 23.07)

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5: ARAB STATE & PAKISTANI DEVELOPMENTS

5.1 Jordan's Wholesale Price Index Rose by 2.64%

Jordan's Wholesale Price Index (WPI) rose by 2.64% (3.81 points) during H1/09 compared with the same period of last year. Since the beginning of 2009 and until the end of June, WPI reached 148.17 points compared with 144.36 points for the same period of 2008. According to Department of Statistics report, WPI for the second quarter of this year sustained a decline of 0. 71% to reach 147.64 points compared with 147.70 pts for the first quarter of the same year. Statistical data revealed that the General Wholesale Price Index (GWPI) for the second quarter of 2009 rose by 0.35 % from (147.64 to 147.12 pts) compared to the same period of 2008. (Petra25.07)

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5.2 Jordan's Tourism Revenues & Visitors Up Slightly in First Half of 2009

Tourism revenues in the Hashemite Kingdom increased by 1.9% in the first six months of this year and the total number of visitors to Jordan rose by 3%, according to official figures released by the Ministry of Tourism & Antiquities. Central Bank of Jordan figures show that the tourism sector generated JD847 million in revenues between January and June of 2009, compared with JD831 million during the same period last year. Tourists from Arab countries represented over 25% of the total number of visitors, with 751,293 visiting Jordan during the first six months of this year, an 8% increase from last year's figure of 694,251. However, the number of European and American tourists declined by 10% and 7% respectively, dropping from 285,208 to 254,935 and 93,423 to 86,545 respectively, ministry statistics revealed. Meanwhile, the number of Jordanians residing abroad who came to the Kingdom during the first six months of 2009 reached 372,530 compared with 345,515 visitors during the same period last year, while visitors holding United Nations documents increased dramatically from 896 to 5,524, according to the official figures.

The Jordan Tourism Board (JTB) said the tourism sector contributes 14% of the Kingdom's gross domestic product (GDP), generating around JD2.1 billion each year. A June study on travel and tourism by the business advisory firm Deloitte said the tourism industry is expected to grow at an annual rate of 8% during the next 10 years to exceed $8.5 billion and contribute around 20% of Jordan's GDP. However, the study said that there should be a strategy for the sector to improve accessibility to the country's tourism infrastructure such as air transport, hotel rooms and ATMs.

The Tourism Ministry's figures revealed that Petra continued to be the Kingdom's main attraction for visitors, but the number of tourists to the rose-red city in the first half of this year fell to 359,581 from 429,363 during the same period of last year, representing a 16% drop. Visitors to the Roman ruins of Jerash fell by 4.7%, from 170,600 in the first half of 2008 to 162,660 this year, while the number of tourists who toured Mount Nebo dropped to 142,504 from 157,806 in the first six months of last year, according to ministry figures. (JT30.07)

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5.3 Iraq's Bold Educational Initiative

In an effort to enable Iraq to rebuild its country expeditiously, Iraq's Prime Minister al-Maliki announced a new education initiative on 25 July at the Academy for Educational Development (AED) in Washington DC. Among the Iraq Education Initiative's goals is to send up to 10,000 Iraqi students per year over the next five years to the US, UK, Canada and Australia to complete their higher education studies, beginning with a pilot program of 500 students for the 2009-2010 school year. Some 22 universities are founding members of the American Universities Iraq Consortium which are welcoming these students. Consortium details will be announced later at the signing between the AED and the Iraqi government. Founded in 1961, AED is a preeminent, nonprofit social change organization working globally to improve education, health, social and economic development--the backbone of thriving societies. Focusing on the underserved, AED's worldwide staff of 2,000 implements more than 300 programs serving people in all 50 US states and more than 150 countries. (BI-ME 23.07)

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5.4 Bahrain Sovereign Wealth Fund Reports $184 Million Loss In 2008

Bahrain Mumtalakat Holding, the Gulf country's sovereign wealth fund, reported a loss in 2008 because of declines in investments. The fund lost $184 million in 2008 compared with a $451 million profit a year earlier. Mumtalakat, which holds stakes in companies including Gulf Air and aluminum maker Alba, took an impairment charge of $981.4 million, mainly due to its holdings in Gulf International Bank BSC and Gulf Investment Co. Total assets declined by 7.6% to $12.7 billion. Mumtalakat sold a local real estate development in 2008, which led to a doubling of cash reserves over an 18-month period. The company also set up the Bahrain Airport, which will manage the state's international airport, and the Bahrain Food, which will develop local and regional food production capabilities. (BI-ME 29.07)

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5.5 UAE Consumer Prices Turn Negative in June

UAE consumer prices turned negative in June from a year ago as housing, food and clothing prices declined, according to Ministry of Economy data. Prices for essential consumer goods and services decreased by 0.03% in June compared to the same month last year. A countrywide slump in housing rents and a decline in food prices were the main contributors to the fall. In June housing costs fell 2% and clothing prices declined 6.6%, while tobacco rose 13.4%. From January to June of this year, the consumer price index fell by 2.7%, due to a 5.8% decline in housing costs and a 25 slippage in food prices. Housing rents and food prices account for more than half of the consumer price index basket. Inflation in the UAE slowed to 1.9% in April from 4.5% in March. May inflation data was not immediately available. Inflation across the Gulf Cooperation Council has been slowing after reaching records in five of the six member states as commodity prices plummeted. Inflation in the UAE accelerated to 12.3% last year from 11.1% the previous year, the central bank said on 26 July. (BI-ME29.07)

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5.6 UAE Projects Worth $300bn On Hold Or Cancelled

More than 400 projects with a total value of over $300bn had been placed on hold or cancelled altogether in the UAE, according to a new report on the construction sector released on 27 July. However, stability would begin returning to the Gulf state's construction sector this year, with signs of recovery emerging during 2010 as cash flow shortages eased, according to the report by Dubai-based research house Proleads Group. Although a slowdown had cut the number of new projects launched since mid-2008, the UAE remained one of the most active construction markets in the world, with more than 750 projects under construction and 450 completed recently. The commercial and retail sectors had seen a reduction in new construction projects being started, with education and healthcare projects being placed on hold more often than in the past. A slowdown was also hampering the leisure and entertainment construction sectors, along with an increasing rate of cancellations in the residential sector, the report concluded. But multiple projects in several sectors were still scheduled for completion up to 2011, with most set to be finished in 2010. A liquidity squeeze combined with slackening demand within the UAE's real estate sector caused by the global economic downturn has led to a dramatic reduction in new building projects and delays or cancellations to existing developments. (AB28.07)

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5.7 Dubai Hotels See Biggest Losses In The Region

Dubai hotels saw the biggest falls in revenue in the region in the first half of 2009, according to a survey of key Middle East cities published by US hospitality research firm STR Global and Deloitte & Touche Middle East. Hotels in 22 cities in the region witnessed an average 10.9% decrease in occupancies and a 17.2% drop in revenue per available room (RevPAR), an industry benchmark. Occupancy rates in Dubai, the region's trade and tourism hub, fell 12.9% compared to the year-earlier period and RevPAR plunged 35%. Dubai, which attracts hundreds of thousands of tourists to its beaches and luxury hotels, predominantly from Europe and Russia, continued to suffer as the global financial crisis bit into the spending power of those countries.

Hotels in Oman's capital Muscat were among those badly hit as they experience "high seasonality in occupancies and revenues". Occupancies were down 21.7% and RevPAR 16.6% in the first six months of the year. Lebanon's main tourism destination, Beirut, remained the top performer in the period, as it enjoyed "increased political stability in 2008 and 2009". Beirut's occupancy levels soared 69.4% and RevPAR surged 125.2%, due to a significant inflow of tourists, the survey said, adding that it expected the city's hospitality sector to continue growing. The Saudi Red Sea city of Jeddah followed Beirut in regional gains, as hotels were not "impacted dramatically" by seasonality and the sector enjoyed steady growth. Jeddah is a local tourism hub and a landing port for Muslim pilgrims en route to Mecca. Jeddah hotels' RevPAR was 11.5% up until the end of June 2009, compared to the same period last year, while occupancy levels stood at 70.4%. UAE capital Abu Dhabi was also among positive performers, seeing RevPAR growth of 3.2% in the period. RevPAR for Abu Dhabi hotels in the month of June 2009 decreased by 12.2% compared to the same month last year. (Reuters28.07)

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5.8 Deal Paves Way for Abu Dhabi Space Flights

On 28 July, Aabar Investments paved the way for space flights out of Abu Dhabi after it bought a 32% stake in Virgin Galactic, a company dubbing itself "the world's first spaceline", for $280m. The deal gives the Abu Dhabi controlled investment firm exclusive regional rights to host Virgin Galactic tourism and scientific research space flights from its planned spaceport facilities in the UAE capital. The company has committed an additional $100m to fund a small satellite launch capability. Virgin Galactic is in the final stages of developing a vehicle it believes will transform the cost, safety and environmental impact of travelling into space. The company expects this capital infusion to fully fund the company through to the launch of commercial operations. (AB28.07)

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5.9 Saudi Inflation Falls On Cheaper Food & Rent

On 26 July, Saudi Arabia announced that its annual inflation rate fell to 5.2% in June from 5.5% in May after the rate of increase for rent and food prices eased. Saudi Arabia's cost of living index was 121.5 points in June, up from 115.5 points in the same month a year ago. The index rose 0.2% from May 2009. The annual rise in rental index - which includes rents, fuel and water - eased to 15% in June down from 17.7% in May. For food and beverages it was 1.7%, down from 2.4% in May. Inflation stood at 5.5% in May and 5.2% in April. (SPA26.07)

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5.10 Saudi Private Import Demand Drops By 34%

Saudi Arabian import demand, as measured by banks' financing of private sector imports, fell 34.7% in H1/09, with building material and motor vehicles bearing the brunt of the drop, official data showed. New letters of credit opened by commercial banks for private firms' imports stood at $16.32b in the six months to June 30, down from SR93.68b a year earlier, according to central bank data published this week. The data indicates the magnitude of the slowdown that has been affecting private sector activity in Saudi Arabia because of the global crisis. There was, however, a noticeable improvement in June. At SR12.69b, new letters of credit last month recorded their highest level since September, according to the data. Banks loans to the private sector also recorded their first increase in June since September. Prior to June, new letters of credit in the five months to end-May were down 54.4% from a year earlier. But the contrast with last year remains significant. New letters of credit issued in 2008 rose almost 30% from 2007. The data showed that new letters of credit for motor vehicle imports stood at SR8.56b during H1/09, down from SR10.06b a year earlier. New letters of credit for building material imports recorded a near-50% annual drop during the first half, standing at SR6.12b. The Saudi government said last year it would invest around $400b in the five years to 2013, mainly to enhance infrastructure in the country of around 25m people. Saudi Arabia has not experienced a liquidity shortage, thanks to buoyant oil prices, but banks have become more selective in lending as a result of the financial crisis. (Reuters26.07)

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5.11 Egypt's Biotechnology Laboratory Equipment Industry

Research and Markets (http://www.researchandmarkets.com) announced the addition of the "Feasibility Report - Egypt Biotechnology Laboratory Equipment Industry" report to their offering. Biotechnology was introduced in Egypt in 1990 and is rapidly picking up momentum. It is used for tissue culture of crops, genetic engineering and diagnosis of tumors. Research related to transplants of kidneys, liver, and bone marrow is being developed and progressing rapidly. Egyptian scientists are introducing seeds for gene-spliced vegetable varieties to the local agriculture market. Egyptian imports of biotechnology laboratory equipment in Egypt during 2007 totaled $40m. This market is expected to grow during the next few years by 10% annually. Several world leaders of biotechnology laboratory equipment dominate the market and have captured a 40% market share. It is expected that demand for biotechnology laboratory equipment will increase in the next few years as the government of Egypt is giving special emphasis to scientific research, upgrading medical services, and increased exports. Hence, using biotechnology to upgrade the quality of crops is crucial. Health awareness is increasing in Egypt and the use of biotechnology has become popular in medical research centers and universities. The current (2007-2012) five-year plan allocated $5.1b for upgrading medical services, and has allocated $800m to upgrade research centers with modern equipment. (R&M23.07)

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5.12 Egypt Natural Gas Production Grew an Average of 11.1% over the Past Few Years

Research and Markets announced that during 2005/6- 2006/7, Egyptian oil production jumped up with an average growth rate of 0.65% compared to an average growth rate of 4.2% for petroleum products consumption. Similarly Natural Gas production grew with an average growth rate of 11.1% over the same period, whereas its consumption increased by a lower rate of 8.3%. Consequently, in order to secure future hydrocarbon demand (for domestic and exports), Egypt has to increase its production levels by higher growth rates. To sustain high production levels required with no additions to the current reservoir, the result could be an accelerated heave from the reserves which ultimately would accelerate the reservoir depletion and shorten its life span. (R&M29.07)

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5.13 Egypt Sees High-Speed Rail Study Ready in 2 Months

Egypt expects an Egyptian-Italian feasibility study for a high-speed railway line between Cairo and Alexandria to be ready in two months, the Transport Minister Mansour said. The comments were made on the sidelines of a Mediterranean economic forum in Milan. Once the study is completed Egypt will proceed with the tendering of the project to the private sector. In May, Mansour and his Italian counterpart Matteoli earmarked $781,300 for the study, carried out by technical staff from Egypt and Italian state-owned railway company, Ferrovie dello Stato. Egypt would probably tender the project to build a motorway between Cairo and Alexandria in the next two or three months, Mansour said. The World Bank's private sector arm IFC had been appointed as "lead advisor" for the project "so that it will be tendered in a transparent fashion," he said. Cairo and it's the port city of Alexandria are about 200 km apart. –Reuters23.07)

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6: TURKISH, CYPRIOT, GREEK & BULGARIAN DEVELOPMENTS

6.1 Turkey to Bid on Iraqi Oil & Gas Tenders

The State-run Turkish Petroleum Corp. may take part in the second round of bids for Iraqi oil and gas contracts set for later this year, Turkish energy minister Yildiz said. He added that Baghdad announced the state-run company could take part in the next round of auctions, which Iraq announced in July. Yildiz said the company could set up an office in Baghdad by the time Turkish Prime Minister Erdogan visits the Iraqi capital in October. Iraq held its first round of post-war oil and gas contracts in June, though only BP and the China National Petroleum Corp. moved on the offers. The Iraqi Oil Ministry will host a summit this month in Turkey in an effort to lure well-qualified oil companies to another round of bidding. Among the 10 new licenses on the auction block are the Majnoon field and the second phase of the West Qurna field, which hold an estimated 6b barrels of oil. (UPI04.08)

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6.2 Cyprus to Acquire Its First Wind Park

On 30 July, Cyprus signed a contract for the construction of the island's fist wind park, expected to be completed in mid 2010. The park, one of the biggest in the Eastern Mediterranean, will have 41 wind turbines of 2 MW each and a total capacity of 82MW. The park, to be constructed at Orites region in the western city of Paphos, will cost €155m and will be funded by the European Investment Bank with €65m as well as from a partnership of other international banking institutions. The contract was signed in the presence of Minister of Commerce, Industry & Tourism Paschalides, by the Ministry's Permanent Secretary and President of Cyprus' Renewable Energy and Energy Conservation Fund Hampoullas, and D.K Windsupply, the company to construct the project. According to the contract, the company will supply Cyprus Electricity Authority with energy for the next 20 years at the price of €0.166 per kilowatt hour (kwh). The projects contribution of energy produced by Renewable Sources is expected to be 2.5%-3.0% by 2011 while it is estimated that carbon dioxide emissions will be reduced by 97.105 tones annually. The operation of the wind park is considered as a step towards meeting EU objectives relating to energy production from renewable energy sources amounting to 13% by 2020. (FM31.07)

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6.3 Cyprus Transport Statistics 2008

The broad transport, storage and communication sector registered in 2007 an increase of 16.9% on the gross output, at current prices and amounted to €2.180m in 2007, compared with €1.865m in 2006. According to the annual report Transport Statistics for the year 2008 published by the Statistical Service, the sector's added value increased to €1.205m in 2007, from €1.051m in 2006 and its share of GDP was 7.4% at current market prices. Motor vehicles newly registered during 2008, increased by 5.2% to 67.722 from 64.405 in 2007. Private saloon cars newly registered increased by 2% to 49.100 from 48.133 in 2007. Vehicles of all types and categories on the Register of the Land Transport Department, at the end of 2008 totaled 720.749, compared to 688.532 at the end of 2007. Civil aircraft landings during 2008 increased to 31.755 compared to 31.028 in 2007. Passenger arrivals through airports increased to 3.625.851 in 2008, compared to 3.512.672 in 2007. (FM30.07)

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6.4 Greece's PPI Declines 9.16% in Annual Terms in June

Greece's Producer Price Index in Industry (PPI) in June 2009 declined by 9.16% (y-o-y), as compared to a 14.76% increase the respective period last year. On a monthly basis, the PPI in June 2009 recorded an increase of 2.22% as compared to May 2009, while a year earlier the monthly change of the PPI was +1.85%. For the 12 month period July

2008 – June 2009 the relevant index posted an annual average rate of decrease by 0.5%, compared to a rate of increase of 8.9% the respective period last year. The fall in the PPI on a yearly basis reflects the average drop in prices received by producers for their output, thus indicating a deflationary trend in the wholesale price levels in the economy. According to the data released, the 9.16% decrease in the PPI on a yearly basis, is mainly attributable to the sharp fall in prices in the energy sector by 22.8%, as well as to the retreat of intermediate goods prices by 2.3% and the capital goods prices by 0.5%. However, the PPI's yearly drop was partially offset by increases in durable consumer goods prices by 3.1%, while non-durable goods prices grew by 0.3%. It is worth noting that PPI in the non-domestic market slumped 9.5% y-o-y, while in the domestic market the index followed a downward trend by 9.1% y-o-y. (Reporter30.07)

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6.5 OECD Calls on Greece for Further Measures

Delays in reforms and the lack of needed resistance to pressures from abroad mean that the Greek economy will not be able to avoid plunging into recession, according to a report by the OECD. The OECD considers recent measures by the government to stimulate the economy as insufficient and, therefore, reduction of the budget deficit to below the EU threshold of 3% of gross domestic product (GDP) is thought to be impossible. The OECD has now predicted that the deficit will instead soar to over 6% of GDP and has given clear recommendations for immediate structural measures to contain the deficit and public debt and to avert the disintegration of the social security system. It is calling for strict adherence to the budget, a reduction in spending, a single mechanism for receiving tax payments and social security contributions, a more efficient mechanism for collecting revenues, a reduction of tax exemptions and taxes for third parties etc. As for revising the social security system, the OECD proposes extending the length of working life to 37 years of contribution before one is eligible for retirement. The report suggests that the worsening of most of the fundamental figures has contributed to the sudden slowdown in growth that will lead to recession this year: The OECD predicts GDP will shrink by 1.3% in 2009 and before showing marginal growth of 0.3% in 2010. Greece has initially held up better during the global economic crisis than many other OECD countries. It is unlikely, however, to avoid a recession, as confidence, tourism and shipping receipts have all fallen substantially. The report was originally drafted on June 15, but was revised on June 29 to take into account the measures taken in mid-June by the government. It estimates that the measures could reduce the deficit by no more than 1.5% this year and 2.5% next year. (Kathimerini 31.07)

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6.6 Athens Budget Black Hole Reaches 5.2 Billion

The disappointing amount of public revenues in the first half of the year makes any execution of the forecast budget virtually impossible. Data from the state's General Accounting Office published on 31 July showed that net revenues in the January-June period came to just €22.19b, which is 3.3% less than last year, while the annual target had been for revenue growth of 14.76%. As a result, the drop in revenues amounts to €4.15b. Revenues before the filing of tax returns showed a smaller reduction than that of net revenues, as tax returns have been rushed in order to add cash to the market. Revenues contracted by 0.7% on an annual basis, against a target for 13.9% growth. At the same time, primary spending and interest payments reached €34.17b, a rise of 13.3% against a target of 9.77%, an excess of €1.1b. Consequently the black hole in the budget at the end of June was calculated at over €5.2b. The government expects the deficit to drop by about €4.8b by the end of the year, thanks to receipts from the single property tax for 2008 and 2009, the extraordinary levy on incomes that exceed €60,000 a year, the special tax on big cars and private recreational vessels, the rise in fuel consumption tax, the levy on cell phones and games of chance as well as an increase in monitoring to catch tax evaders. (Ekathimerini31.07)

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6.7 New Bulgarian Finance Minister Looks to Smuggling Combat to Patch up State Budget

Bulgaria's new finance minister has pledged reforms to stop smuggling in a bid to patch up the state budget, which is in worse shape than described by the ousted administration. In order to balance the budget, Minister Djankov said to do that, Bulgaria needs about €2.5b, either in extra revenue by stopping smuggling or in spending cuts. The cabinet plans to cut 15% of all administrative costs starting next week to help save BGN 1.2 B this year. Plugging loopholes in excise tax collection and curbing contraband would help cover part of the remaining BGN 1.3 B. Earlier in the week Djankov, a former World Bank chief economist, took over personally the control of the revenues units in his department - the customs and tax services. The nationwide tour that he started in the town of Russe is part this commitment. Djankov made it clear that his predecessors have benefited from smuggling by offering a political protection of the criminals. Asked about a possible reduction in Value Added Tax (VAT), the minister said it can be lowered no earlier than in 2012. (TSW01.08)

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7: GENERAL NEWS AND INTEREST

*REGIONAL:

7.1 Morocco to Mark Oued Eddahab Allegiance Day

On 14 August 1979 Morocco recovered the southern province of Oued Eddahab (formerly Western Sahara territory of Rio de Oro) from Spanish occupation. On that day, at the Riad palace in Rabat, a 360 person-strong delegation, was dispatched by the population of the region to renew before King Hassan II the oath of allegiance and their attachment to the Alaouite throne. The sovereign then delivered a historic speech in which he vowed to guarantee their defense and security and endeavor for their well-being.

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8: ISRAEL LIFE SCIENCE NEWS

8.1 Medingo Receives Formal FDA Clearance to Market Its Insulin Micropump in the US

Elron Electronic Industries announced that Medingo, a group company held 92% by Elron and its subsidiary, RDC – Rafael Development Corporation, has received formal clearance from the FDA to market its Solo MicroPump Insulin Delivery System in the United States. Medingo intends to introduce the Solo MicroPump at the American Association of Diabetes Educators Meeting which will take place in August 2009 in Atlanta, USA. Yokneam Illit's Medingo (http://www.medingo.com) sole objective is to meet the requirements and needs of the diabetes community by introducing miniature devices of superior technology, design and value. Elron Electronic Industries Ltd. (http://www.elron.com), a member of the IDB Holding group, is a high-technology holding company traded in the NASDAQ and in the Tel-Aviv Stock Exchange. Elron's group companies currently comprise a diverse range of publicly-traded and privately held companies primarily in the fields of medical devices, information & communications technology, clean technology and semiconductors. (Elron29.07)

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8.2 Can-Fite BioPharma Expands its Pipeline by Licensing Allosteric Modulators

Can-Fite BioPharma completed a license agreement from Leiden University and the NIH for a patent which includes allosteric modulators to the A3 adenosine receptor. Can-Fite will pay license signing fee of €25,000 and annual minimal royalties of €10,000. In addition, the company will pay milestone payments up to €850,000 based on clinical development progress till marketing approval and royalty payments of 2-3% on net sales. Allosteric modulators are orally bioavailable small molecules which enhance the affinity of the natural ligand adenosine to its A3 adenosine receptor. The advantage of the A3 adenosine receptor allosteric modulators is their capability to target specifically areas where adenosine levels are increased – namely certain inflammation sites. Normal body cells and tissues are refractory to the allosteric modulators. This approach is complementary to the basic platform technology of Can-Fite utilizing the G coupled protein A3 adenosine receptor as a potent target in inflammatory diseases.

Petah Tikva's Can-Fite Biopharma (http://www.canfite.com) is a public company traded on the Tel Aviv Stock Exchange. The Company focuses on the development of molecule-based drugs that bind to receptors on and inhibit the development of cancer or inflammatory cells. Can-Fite's development pipeline currently has two drugs, CF101 and CF102. The company is simultaneously conducting several preclinical and clinical trials with the two drugs for various indications. CF101 is being studied for the treatment of rheumatoid arthritis, dry eye syndrome and psoriasis. Can-Fite has also entered the development of CF102 for the treatment of liver diseases, including liver cancer. (Can-Fite28.07)

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8.3 Teva & Ortho-McNeil-Janssen Settle Ortho Tri-Cyclen Lo Litigation

Teva Pharmaceutical Industries has entered into a definitive agreement with Ortho-McNeil-Janssen to settle the patent infringement lawsuit in the U.S. District Court for the District of New Jersey related to Teva's generic version of the oral contraceptive, Ortho Tri-Cyclen Lo. Under the terms of the settlement, Teva will obtain a release for past sales of its generic product, in exchange for an undisclosed royalty payment. Teva also will obtain a license to re-enter the market on December 31, 2015, or earlier in certain circumstances. The settlement will not become effective until the court enters a proposed consent judgment upholding the validity and enforceability of Ortho's patent. 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. (Teva24.07)

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8.4 FDA Reviews Kamada's Biologics License Application to Treat Alpha-1 Antitrypsin Deficiency

Kamada announced that the US FDA has accepted its Biologics License Application (BLA) for intravenous alpha-1 antitrypsin (IV-AAT), the Company's flagship product for the treatment of alpha-1 antitrypsin deficiency. Acceptance of the BLA by the FDA indicates that the submission satisfies the FDA's preliminary requirements for review. The product will be evaluated within the standard Prescription Drug User Fee Act (PDUFA) timeframe, resulting in an action date in Q2/10. An inspection of Kamada's manufacturing facilities in Israel is expected to be performed by the FDA during the review period. Kamada has developed a unique, high purity, liquid, ready-to-use human plasma derived AAT for the treatment of alpha-1 deficiency. The product is produced using a sophisticated, proprietary chromatographic purification method. Ness Ziona's Kamada (http://www.kamada.com) is a public biopharmaceutical company developing, producing and marketing a line of specialty life-saving biopharmaceuticals. Licensed and marketed worldwide, several of these specialty therapeutics are currently undergoing advanced clinical trials. (Kamada04.08)

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8.5 Pluristem's Award from the Israeli Office of the Chief Scientist Increased to $2.3 Million

Pluristem Therapeutics will receive a total of $2.3m in funding for its stem cell programs from the Office of the Chief Scientist (OCS) at the Ministry of Industry, Trade & Labor of Israel. This is an increase from the previously announced amount of $1.9m. Funds will be utilized primarily to support the Company's clinical trials of PLX-PAD, which is the first placenta derived stem cell product cultured in Pluristem's proprietary PluriX 3D bioreactor system. PLX-PAD is targeted for the treatment of critical limb ischemia (CLI), the end-stage of peripheral artery disease (PAD). Haifa's Pluristem Therapeutics (http://www.pluristem.com) is a clinical development bio-therapeutics company dedicated to the commercialization of unrelated donor-patient (allogeneic) cell therapy products for the treatment of several severe degenerative, ischemic and autoimmune disorders. Pluristem's first product, PLX-PAD (for the treatment of Peripheral Artery Disease), a "First-In-Human" placental-derived mesenchymal-like stromal cell product, has received FDA and IMPD clearance and is being investigated in a Phase I clinical trial. The Company is developing a pipeline of products derived from human placenta, a non-controversial, non-embryonic, adult stem cell source. The (PLacental eXpanded) cell products are stored off-the-shelf, ready-to-use, and require no histocompatibility matching. (Pluristem 04.08)

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8.6 Oramed Pharmaceuticals Wins NIS 3.1 Million Grant From the Israel Chief Scientist

Oramed Pharmaceuticals reported that its wholly owned Israeli subsidiary, Oramed Ltd., was awarded a government grant amounting to a total net amount of $828,000, from the Office of the Chief Scientist (OCS) at the Ministry of Industry, Trade and Labor of Israel. This grant was awarded as government participation in research and development expenses for the period of February 2009 to January 2010. The grant is subject to return according to the terms determined by the OCS. The OCS awards grants to industry in Israel in order to foster technological innovations. The funds will be designated and used by Oramed Ltd. to support further R&D and clinical study of its Oral Insulin capsule and Oral GLP1-Analog. The OCS selects its recipients on various criteria including the financial strength of a company, the exceptionality of a company's innovative technology, and the potential of a company's technology to significantly improve an existing product or process. Jerusalem's Oramed Pharmaceuticals (http://www.oramed.com) is a technology pioneer in the field of oral delivery solutions for drugs and vaccines presently delivered via injection. Oramed is seeking to revolutionize the treatment of diabetes through its patented flagship product, an orally ingestible insulin capsule currently in phase 2 clinical trials. Established in 2006, Oramed's technology is based on over 25 years of research by top research scientists at Jerusalem's Hadassah Medical Center. (Oramed 04.08)

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9: ISRAEL PRODUCT & TECHNOLOGY NEWS

9.1 Vivo Selects ECtel's Latest Version of Fraud-Management Platform

ECtel announced today that Vivo, a top mobile telecom provider in Brazil, has upgraded to FraudView 8.2, ECtel's latest most innovative fraud-management system. The order was awarded to ECtel and long-term partner Bull, one of Europe's leading integrators of open-source software, to supply Vivo with tools to obtain return on investment in its business-critical Information Systems (IS), allowing Vivo to operate with the highest security and efficiency levels. By upgrading to FraudView version 8.2, Vivo will benefit from superior multi-environment real-time detection tools for increased revenue protection and fraud prevention. The new localized version will also enable Vivo, for the first time, to operate the system in Portuguese. FraudView is one of the cornerstones of ECtel's market-leading IRM platform. The newly released FraudView 8.2 expands the product's fraud convergence to include new technologies, improving the product's extendibility, scalability and operational effectiveness. Rosh HaAyin's ECtel (http://www.ectel.com) is a leading global provider of Integrated Revenue Management solutions for communications service providers. A pioneering market leader for nearly 20 years, ECtel offers carrier-grade solutions that enable wireline, wireless, converged and next generation operators to fully manage their revenue and cost processes. ECtel serves prominent Tier One operators, and has more than 100 implementations in over 50 countries worldwide. (ECtel29.07)

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9.2 Commex Technologies Achieves 27Gbps Throughput on Xilinx Virtex-5 FPGA

Commex Technologies revealed that its Vulcan SP HT6210 Network Interface Card (NIC) has achieved data throughput of 27 Gbps. The Commex NIC accomplishes this unparalleled bandwidth by maximizing the performance of its onboard Xilinx Virtex-5 FPGA, and by leveraging the board's 16-lane, 1.2Gtps HyperTransport bus interface. Introduced in March 2009, the Vulcan SP HT6210 is the first 10GbE NIC to support the HyperTransport bus interface. This direct, high-speed connection intelligently routes data to different processor cores, reducing latency and improving multicore system performance for large enterprise and service-provider applications. Commex further boosted the board's robustness by engineering a proprietary solution to clock-drift problems caused by process, voltage and temperature variations (PVT) that have classically led to uncorrected data sampling in other Ethernet tranceivers.

HyperTransport is a high-bandwidth, packet-based interconnect technology that links processors to each other, processors to coprocessors, and processors to I/O and peripheral controllers. HyperTransport receivers sample data streams with a single-phase-delayed, source-synchronous clock to achieve high-bandwidth data transfers without requiring complex clock/data recovery schemes. With support from Xilinx and utilizing the Xilinx Virtex-5 FPGA library cells, Commex has designed a runtime system-initialization sequence and technology approach that makes the Xilinx devices impervious to PVT fluctuations. This enables the Vulcan NIC to achieve its unprecedented throughput performance.

Tel Aviv's Commex Technologies (http://www.commextech.com) is a fabless chip company dedicated to providing intelligent, high-performance solutions for x86 multicore systems. Commex develops and sells in-server content-aware solutions, including the Vulcan family of 10GbE smart Network Interface Cards (NICs), powered by the Commex Thunder network controller. The company's innovative patent-pending technology leverages on-chip classification and action engines, to deliver multicore-scalable performance to server OEMs and system designers. (Commex28.07)

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9.3 PLYmedia Introduces New Ecosystem for Online Monetization

PLYmedia launched a new concept in the video space: AffiliatePLY, an interactive video platform that links online advertisers and publishers, and enables both parties to enjoy direct action monetization from the video screen. Utilizing the power of video to significantly boost web hits and user interest, PLYmedia's new ecosystem for online revenue generation is based on Cost per Action results and actual revenue to the advertiser. The video network empowers publishers who embed video from the network to attract greater traffic to their websites, maximize their search engine presence as web videos appear among the first search results and generate payments based on the action they drive to the advertisers. The action based video affiliate network empowers both online publishers and advertisers to converge viewer interest with profitable content. According to statistics from Forrester, online video ads greatly increase click through rates as users are attracted to more interactive content. Advertisers, empowered by video's influence, upload their video ads to the network, attracting online publishers searching for new content and media of interest to embed their videos onto their website. Tel Aviv's PLYmedia (http://www.plymedia.com) is an expert in enriching online video. PLYmedia's solutions challenge conventional video by overlaying rich, external information to enhance online video. By presenting effective video enhancing solutions, these information PLYs increase viewer interest and audience whilst ensuring longer time of engagement. (PLYmedia28.07)

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9.4 Voltaire 40 Gb/s InfiniBand Switch Module Available for IBM BladeCenter

Voltaire announced the availability of the Voltaire 40 Gb/s InfiniBand switch module for IBM BladeCenter. Custom designed by Voltaire for IBM, the new switch delivers 100% faster InfiniBand connectivity to accelerate performance of applications running on BladeCenter in both the high performance computing (HPC) and enterprise data center markets. The Voltaire 40 Gb/s InfiniBand Switch Module is based on Voltaire's field-proven design and features fourteen 40 Gb/s internal ports for server connectivity and sixteen external QSFP ports for fabric connectivity. Combined with port to port latency of less than 100 nanoseconds, this provides a congestion-free solution that exceeds the bandwidth and latency requirements of even the most intensive applications. Moreover, the switch consumes only 4 watts of power per port making it an energy efficient solution for today's data centers. 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. (Voltaire04.08)

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9.5 Mundo Startel Expands Broadband Service Using Alvarion's WiMAX Solution

Alvarion and Mundo Startel announced the expansion of WiMAX services throughout Angola. The network expansion using Alvarion's BreezeMAX solution at the 3.6 GHz frequency band follows Mundo Startel's decision to launch their fixed-line ISP operations. Following previous successful deployments in Luanda, Mundo Startel and Alvarion continue to provide a cost-effective solution, empowering social care development programs such as e-Health and e-Learning. Mundo will provide internet access services to both enterprises and residential homes. This nationwide WiMAX network also provides access to remote businesses, fueling economic growth for the region. 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. (Alvarion04.08)

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9.6 LTE RF Transceiver Availability Announced By 4G Chip Maker Altair Semiconductor

Altair Semiconductor announced the immediate availability of its LTE RF transceiver, the FourGee-6150. The FourGee-6150 is an LTE-TDD RF transceiver which, in addition to LTE, also complements Altair's baseband processors for mobile WiMAX and XGP, offering a complete, turn-key 4G solution to handheld devices makers across the industry. Built with cost effective CMOS process technology and based on a single conversion architecture, the FourGee-6150 delivers state of the art radio performance, ultra-low power consumption and minimal external component count. The FourGee-6150 is part of Altair's comprehensive portfolio for LTE. Hod HaSharon's Altair Semiconductor (http://www.altair-semi.com) is the world's leading developer of ultra-low power, small footprint and high performance 4G semiconductors. The company's products provide device manufacturers integrating any 4G technology into their products with a highly power-optimized, robust and cost-effective solution. Altair's comprehensive product portfolio includes baseband processors, multi-band RF transceivers for both FDD and TDD bands, and a range of reference hardware and product level protocol stack software. (Altair Semiconductor 04.08)

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9.7 Medigus & Tower Announce World's Smallest CMOS Medical Video Camera

Medigus and Tower Semiconductor announced successful sampling of a new CMOS imager that will serve in Medigus' line of disposable miniature cameras and its new medical devices camera; the smallest of its kind in the world, designated to be incorporated into disposable endoscopes or used in various diagnostic and surgical medical applications. First product samples have been shipped to end customers and mass production of the camera is expected to commence in mid-2010. The camera sensor will be manufactured in Tower's Fab2 using its 0.18-micron CMOS image sensor process and will be integrated into the camera which will be produced in Medigus' manufacturing facilities. The CMOS imager offers a high performance product at a low cost and combines superb sensitivity, resolution and dynamic versatility, allowing customers a variety of potential medical applications in growing markets. The new camera encompasses tiny electronics and objective lenses developed by Medigus, along with Tower's CMOS imager measuring only 700 x 700 microns.

Omer's Medigus (http://www.medigus.com) is a medical device company specializes in developing innovative endoscopic procedures and devices. Medigus is a pioneer developer of a unique proprietary endoscopic device for the treatment of GERD, one of the most common chronic diseases in the western world. Medigus has an advanced technology platform that includes the necessary elements for developing a wide range of endoscopic procedures. Migdal Ha'Emek's Tower Semiconductor (http://www.towersemi.com), a global specialty foundry leader, manufactures integrated circuits with geometries ranging from 1.0 to 0.13-micron and provides complementary technical services and design support. Tower, along with its fully owned U.S. subsidiary, Jazz Semiconductor, offers a broad range of process technologies including Digital, Mixed-Signal and RFCMOS, HV CMOS, Power Management, Non-Volatile Memory (NVM), Embedded NVM, MEMS, and CMOS Image Sensors. (Tower03.08)

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10: ISRAEL ECONOMIC STATISTICS

10.1 Israel's Hi-Tech Trade Surplus Rises 11%

The Central Bureau of Statistics announced on 22 July that Israel's high-tech trade surplus rose by 11% to $6b in 2008 from $5.4b in 2007. Most high-tech sectors enjoyed a trade surplus. The largest trade surplus was by the pharmaceuticals industry, which rose 45% to $3.2b in 2008 from $2.2b in 2007. This surplus accounted for 52% of the total high-tech trade surplus in 2008. These gains also offset both declines in the surplus or even deficits in other sectors. The trade surplus in the pharmaceuticals industry has improved steadily since 2001, when it was 2.2%, or $67m.

The trade surplus of the electronics control and supervision equipment sector fell 7.4% to $2.5b in 2008, $200m less than in 2007. (CBS22.07)

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10.2 Internet More Popular than Radio in Israel

The number of Israelis who surf the internet from work or home has surpassed the number of radio listeners for the first time, according to the yearly survey by TGI. The survey covered the year between July 2008 and June 2009. The survey showed that the Internet now has an exposure of 76.8% on weekdays, while the radio enjoys only 76.1% exposure. The newspapers lag behind with 61.3% exposure. Radio exposure has remained stable at about the 76% mark over the last 18 months. In previous years, the exposure to radio was on the decline. The percentage of the population that listens to Voice of Israel government radio went up from 42.1% to 43%, while regional radio stations lost listeners and declined from 34.9% to 33.5%. The two Army Radio stations also declined slightly, from 45.3% to 44.9%. While Galgalatz (the all-music IDF station) rose by 1.4% to 28.2%, Army Radio went down 1.5% to 25.4%. The most popular radio station is Reshet Bet, whose current events programs recorded a sharp (46.5%) rise in listeners aged 18 to 29. (IsraelNN29.07)

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10.3 Newspaper Readership Actually Grows In Israel

With the exception of Yediot Ahronot, the exposure rates of Israel's daily newspapers were higher in H1/09 than in H2/08, according to a TGI survey. The readership of Yediot Ahronot, which has the largest circulation, has been declining for 18 months, a slide that the paper has been unable to stem. The paper's exposure rate fell to 34.2% in the first half of 2009 from 35.9% in H2/08. Part of the reason has been the success of the freesheets, especially Israel Today, which have had steady increase in circulation since their launch. The economic crisis cannot be ruled as contributing to the rise in the freesheets' readership in the first half of the year compare with the for-pay papers, headed by Yediot Ahronot. However, this factor cannot account for the growth in Ma'ariv's exposure rate, especially given the uncertainties at that paper in recent months, including waves of layoffs and the resignations of its editors in chief. To see whether the rise in Ma'ariv's readership is temporary or a trend, it will be necessary to wait for circulation figures for the second half of the year. Israel Today had the largest increase in exposure rates, rising to 26.9% in H1/09 from 23.2% in H2/08. Despite the situation at Ma'ariv, the paper boosted its exposure rate to 14.4% from 13.8%. Globes boosted its exposure rate by 5.3% to 4% in the in H1/09 from 3.8% in H2/08. Haaretz exposure rate was unchanged at 7.5%. Yediot Ahronot's financial section Calcalist saw its exposure rate fall 14% to 3.7% in H1/09 from 4.3% in H2/08. (Globes 29.07)

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10.4 Economic Meltdown Coincides with Declining Ice Cream Sales in Israel

KosherToday reported that ice cream sales in Israel are expected to drop this year because of the economic slowdown. Dun and Bradstreet estimates the $250m dollar target is slightly less than sales from last year. Company analysts noted that this reverses a trend of 4 to 6% increases in sales over the last few years. Israelis are expected to buy fewer of the higher quality ice cream brands because they have less money for luxury items. Strauss Dairies produces more than half of all the ice cream products sold in Israel followed by Nestle and Feldmans. There are some 8,000 people employed in the industry which produces some 4,000 different ice cream and sherbet confections. The report found that general ice cream sales have soared 420% in the last decade. Ynet news reports that Israelis consume some 8 liters of ice cream a year while Europeans consume almost twice that much. Americans are considered the world's biggest ice cream consumers – 20 liters a year. (KNT29.07)

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11: In Depth

11.1 ISRAEL: A Short Recession After All?

Timely policy response prevented a crash landing: Morgan Stanley's (http://www.morganstanley.com) Tevfik Aksoy writes that the Israeli real GDP growth was -3.6%Q (saar) in Q1/09, which had been the official verification of the recession that started in Q4/08 when growth was -1.5%Q (saar). The recession has so far been seen across the board, but the impact has been quite dominant, especially in private consumption and exports. That said, the slowdown actually started back in Q3/08, which led the Bank of Israel to take steps to curb the extent of the recession. The BoI had been one of the first central banks to commence monetary easing, which in our view dampened the impact of the global slowdown to some extent, and the lax fiscal policy provided extra cushion. While neither of the policies found noticeable traction yet, at least the financial sector stood firm with almost no liquidity concerns, and the non-financial sector has so far managed to avoid bankruptcies.

State of the economy: In the second quarter of this year and so far in Q3, there have been signs that the worst might be over for the economy, which had been confirmed with various data. In light of the improvement in various indicators, we see a high probability that the economy might come out of the recession in Q2/09 or at worst display a very negligible contraction. One of the key leading measures of growth that can be used to predict the future course of GDP, the state-of-the-economy index, reversed course last quarter and produced a positive monthly growth after a year. Simply looking at the correlation (77%) between real GDP growth (%Q saar) and the quarterly annualized changes in the state-of-the-economy index, we project Q2/09 real growth at approximately -0.3%Q (Saar).

Exports to recover slowly: Export performance has also been noticeably better in recent months, but we do not expect this sector to come out of the woods until a clear pick-up in G7 growth materializes. Using the OECD projections for the G7 and the high correlation with Israeli exports (78%), we project that export growth might turn positive no earlier than Q1/10.

Revising our GDP growth forecasts: Earlier in 2009, our growth projections stood at 0% for 2009 and 3.4% for 2010. Our expectation was that the efforts to weaken the shekel and the loose monetary policy would broadly circumvent the challenges imposed by the global credit crunch. The sharp drop in global demand (for Israeli exports) and rising unemployment in the country that led to a noticeable slowdown in consumption brought the recession that proved us to be rather optimistic. However, based on the available data at hand, the fiscal projections (which assume a lax policy to yield a budget deficit to GDP of 6% in 2009 and 5.5% in 2010) and the continued support from monetary policy, we still believe that the overall contraction might be less than the consensus view.

We revise our real GDP forecasts to -0.8%Y for 2009 and 2.1%Y for 2010. These figures compare more optimistically to the official forecasts of the government (on which the budget had been set upon) and the BoI that currently stand at -1.5%Y for 2009 and 1% for 2010.

While we remain relatively optimistic that the economy might avoid a prolonged and deep recession, rising unemployment might not stop very soon. With the tourism and construction sectors still suffering from fresh flows and the private sector firms likely to be seeking ways to improve productivity, it might be quite possible that the unemployment rate reaches the levels of 2005 and 2006 above 9%. This would clearly put pressure on the government to maintain a lax fiscal policy.

While this might have minor implications on inflation in the near future, given the output gap in the economy, it might result in a further rise in the debt/GDP ratio. At this juncture, this might not be considered as a risk factor per se, but the rising need to issue debt could hamper growth prospects on the back of the crowding out effect.

We maintain our view that the Bank of Israel is likely to keep rates unchanged during 2009, and we pencil in the first tightening for Q1/10. The BoI kept the policy rate of 0.5% unchanged for August, in line with Morgan Stanley and the consensus expectation. Although the consumer price inflation rate was significantly higher than expected in June and is likely to remain elevated (on a month-on-month basis) in the next couple of months, the BoI believes that this will be a temporary phase and does not necessitate any rate action.

However, the monetary authority decided, as of August 5, 2009, to end the daily bond purchases it initiated in February 2009. According to our calculations, the BoI has already purchased ILS14-16b over this period against the initial targeted amount of ILS15-20b. As a result, we noted that the halting of the bond purchases would not come as a surprise and would constitute one of the first steps leading to the actual monetary tightening. The next step may be lowering the size of the daily FX purchases, which would nearly end the set of alternative policy measures that the BoI had been employing to prevent the currency from appreciating while providing essential liquidity to the financial system.

The BoI's view: As part of the statement accompanying the rate decision, the BoI recently noted that: (i) The anticipated rise in monthly inflation rates on the back of the one-off factors over the next two months is likely to prove temporary, given the output gap and the high level of unemployment. (ii) Recent data and surveys point to gradual improvement in economic activity, but it might be too early to determine whether this represents a turning point. (iii) Many central banks are keeping rates at low levels and maintaining the implementation of additional monetary stimuli. Overall, the BoI believes that the decision to keep the interest rate unchanged and yet halting the daily bond purchases will strike a balance between the pressures raising prices and the assessment that the economy has not yet emerged from the recession. Our projections suggest that month-on-month inflation will be relatively high in July and August - but due to the strong base year effect, the year-on-year rate might in fact decline. We expect inflation to enter the 1-3% target band soon but to end the year outside at 3.3%Y. (MS04.08)

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11.2 ARAB MIDDLE EAST: Professionals Remain Cautious With Spending

Almost half of UAE residents, 43%, have cut down on their household expenditure in response to the current recession, the highest cut among all of the countries surveyed around the Arab Middle East, according to the latest study by Bayt.com - in conjunction with research specialists YouGov. The study found that across the rest of the surveyed countries however, only 30% of professionals have cut down on their household spending, while just over a quarter of respondents have actually increased their household budget. As to why professionals have cut down on their household spending, the recession was the most common answer among GCC respondents, at 43%. This was closely followed by cutbacks because the respondents - or a member of their household - had lost their job, at 37%. The UAE's figures were the highest in terms of cutting down household spending due to job losses with 45% reiterating this statement, closely followed by Kuwait at 44%, and Egypt at 41%.

Asked about whether they were willing to settle for a reduced salary in a new job in case of redundancy, only 31% of all respondents stated they would be willing to accept a reduced amount of pay, while 45% stated that they wouldn't settle for any less. In the UAE, the figure was higher than average: 38% of respondents stated they would be willing to accept a lower salary while 43% stated they wouldn't. The figures were similar around the region, with 37% in Lebanon willing to accept less salary, closely followed by Bahrain and Jordan at 36% each.

The ‘Surviving the Recession' study was conducted to gauge consumers' opinions on their struggles during the global economic recession, to understand the impact the recession has had on a personal level and how it has impacted consumer spending and savings. The study asked the respondents about their financial health both before and during the recession to ascertain how many professionals felt their financial position has changed.

Prior to the recession, 36% of all respondents felt they were better off than their peers, 39% felt they were the same, and 12% felt they were worse off. During the recession, respondents generally felt their position had worsened: only 25% of all respondents feel better off than their peers, 39% feel their financial position is the same as their peers, and 22% feel it is worse.

In the UAE, the figures changed considerably. Before the recession, an overwhelming 41% of respondents felt financially better off than their peers, while only a quarter of respondents feel better off during the recession. When asked about the reason for this change in their financial health - almost half of respondents in the UAE - 48%, cited it was due to job loss, and 23% stated it was due to a salary cut. According to the study, job losses featured most strongly in the UAE, suggesting that redundancies have been much more widespread in the Emirates.

The effects of the recession on financial health have also spilled over into respondents' investments. 21% of all respondents expect to sell investments to support themselves or their families during the recession: this jumped up to 24% in the UAE. Most unaffected were respondents in Bahrain; 56% stated they do not foresee having to sell any assets, closely followed by Saudi Arabia and Algeria's respondents, of whom, 48% each agreed their position would not reach a point where they had to sell.

Aside from cutting down on expenses, seeking employment in a different country is a popular option among all respondents during the recession; a quarter stated they have moved away. In the UAE, residents have taken a number of steps to deal with the recession: the study found that 14% of respondents have sent their families home, and 16% have moved to a less expensive area of the country.

Physical health was also found to be an issue during the recession; 27% stated it has personally caused them health concerns or issues including stress, and 13% stated that a family member's health had been affected. Most affected in the Gulf by the recession were respondents in the UAE, with 31% undergoing personal health concerns and 13% with family members with health concerns. This was closely followed by Kuwait, with 29% undergoing personal health concerns and 14% with family members affected.

Data for the Surviving the Recession study was collected online between the period of 26th May and 28 June 2009 with 12,908 respondents from across the UAE, KSA, Qatar, Oman, Kuwait, Bahrain, Syria, Jordan, Lebanon, Egypt, Morocco, Tunisia, Algeria and Pakistan. Males and females aged over 18 years old, of all nationalities, were included in the study. (BI-ME 26.07)

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11.3 KUWAIT: Food & Drink Report Q3 2009

Research and Markets(http://www.researchandmarkets.com) has announced the addition of the "Kuwait Food and Drink Report Q3 2009" report to their offering.

Kuwait has fallen back into sixth place in the regional Food & Drink Business Environment Ratings table for Q3/09. Although a decline in crude oil prices and private investment forced through by the global financial meltdown will press down on Kuwait's economic outlook, extensive government infrastructure spending will provide a degree of cushion. BMI has forecast GDP to contract by 1% in 2009, which is better than our global average (we are currently forecasting global output to slide by 2.3% in 2009) in these turbulent times. Despite a weakened near term economic outlook, the country remains one of the Gulf region's wealthiest and is home to a fairly dynamic food processing industry.

Kuwait Food Company (Americana) is the country's leading food company with assets across the food services industry as well as food and drink production. The company boasts an extensive production portfolio that includes popular food brands such as Heinz and California Garden. Therefore, it is particularly well placed to capitalize on rising demand for convenience and packaged foods.

Like most countries in the Gulf region, Kuwait possesses a reasonably well developed dairy sector. Spearheaded by Kuwait Danish Dairy and closely followed by Kuwait Dairy Corporation, the industry is one of the country's most well invested. Both companies have vertically integrated product portfolio's (including fresh milk, yoghurt and ice creams) yet their ability to grow into dominant regional players is hamstrung by the competitiveness of the Gulf region's dairy industry.

BMI analyses that the halal food industry may not only attract further regional investment (UAE-based Al Islami Foods entered Kuwait in April 2009 after securing a distributional tie ups with Gulf Trading and Refrigeration Company (GTRC) and International Agencies Company (IAC)), but also provide growth opportunities for Kuwaiti companies. The World Halal Forum expects the value of the halal food industry to grow to $650m in 2010 and Gulf-based companies are scrambling to jump on to the bandwagon of an industry that has thus far been dominated by non-regional food processors.

Through to 2013, food consumption has been forecasted to increase by 4.8% and reach $1.32b while per capita consumption is expected to crawl up to $390. Although the forecasted growth figures are by no means dynamic, regional investors in particular are likely to remain interested in the high-income Kuwaiti consumer base as they diversify their businesses in search of greater volume. (R&M27.07)

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11.4 KUWAIT: Changing Tourism Trends

Although Kuwait's tourism sector is expected to have a slow year in 2009, with the global recession cutting into visitor numbers and reducing returns, the Oxford Business Group believes this could be offset to some degree by more Kuwaitis holidaying at home. Kuwaiti media has reported that more locals and expatiates are choosing to stay in the country, rather than travel abroad or return home during the hot summer months. Though this trend may not benefit the accommodation sector of the tourism industry, it will help to keep the tills ringing at Kuwait's cafes, restaurants and entertainment facilities.

This is supported by a recent report by the UN World Tourism Organization (UNWTO), which said that the global economic downturn and the threat posed by swine flu could actually be to the benefit of the region's tourism industry. According to the results of a WTO study issued on July 21, there could be a 2 to 6% increase in tourism in the Middle East as Gulf holidaymakers decide to stay at home or take their summer breaks within the region to save on costs and avoid exposure to the H1N1 virus. Such a boost would be much needed, with the UNWTO reporting in early July that there had been an 18% drop in tourist arrivals in the Middle East in the first four months of the year, while a World Travel and Tourism Council (WTTC) study also had mixed news for the Kuwaiti tourism sector.

In its latest report on Kuwait, the WTTC predicted that while the sector's contribution to the country's economy would decline from an estimated 3.7% of GDP in 2009 to 3% in 2019, its actual monetary contribution would more than double, from $5.6bn this year to $12bn in a decade. While long-term revenue prospects are good, the WTTC report foresees a slump in earnings this year, with real GDP growth for the travel and tourism economy expected to be -11.1% in 2009, while averaging 0.9% per annum over the next 10 years.

Perhaps worrying for Kuwaiti officials are WTTC's expectations that direct and indirect employment in the travel and tourism sector will fall from 71,000 jobs in 2009, which represents 3.5% of total employment or one in every 28.3 jobs, to 65,000 jobs, 2.6% of total employment or one in every 37.9 jobs by 2019. The global average for employment in the travel and tourism industry is at 7.6%. Added to this is the council's prediction that direct employment in the tourism sector will fall by 10% this year, dropping to 13,000 and recording further shrinkage by 2019, when there will only be 8800 positions available.

Though having invested heavily in tourism infrastructure and actively encouraged private sector involvement, Kuwait faces considerable competition in its efforts to become a regional power in the tourism industry. Dubai has set itself a target of attracting 15m overseas arrivals annually by 2015, an objective it is aiming to achieve through massive investments in hotels and resorts, along with conference centers to draw in the meetings, incentives, conferences and exhibitions (MICE) segment.

Bahrain has also set its sights on becoming a major MICE hub, greatly expanding its conference and business meeting facilities; Oman promotes itself heavily as an adventure and nature holiday destination, offering trekking and safari tours; while further afield Arab states such as Jordan and Syria are enticing greater numbers of tourists from the region and beyond with a mix of history and luxury.

Kuwait does have its own niche however, in its appeal as a wholesome family holiday destination, with the country promoting attractions such as the largest water park in the Gulf region; Entertainment City, one of the longest established and best theme parks in the Middle East, located to the north of Kuwait City; and Al Shaab Leisure Park to the south of the capital, a project of the United Entertainment and Tourism Company (UETC).

According to Adel Hassan Omoor, the chairman and managing director of UETC, this is a specialist market that should be exploited. "Kuwait will never be a tourist destination in comparison to the likes of Dubai, but there is great potential for business tourism and a strong domestic demand for amusement and leisure activities," he told OBG. "The amusement and leisure market is severely undersupplied and combined with strong local demand there are many opportunities for new forms of entertainment facilities."

UETC is grasping that opportunity, opening THE 99 Village theme park at Jahra in late March, inspired by the comic characters created by Dr Naif Al Mutawa, the head of the Teshkeel Media Group. The park is unique in that, unlike similar parks, it is framed around Muslim superheroes from the comic series, which have story lines based on the universal values inherent in Islam. Speaking at the opening of the park, Al Mutawa said THE 99 Village, the first of many planned, provided entertainment while delivering an important message. "We want everyone to experience our positive message about tolerance, teamwork and respect that appears in every story of THE 99," he said. "THE 99 theme parks will provide a safe and fun environment for families to be entertained and educated by characters drawn from their culture and values."

Having been one of the first Gulf states to introduce theme parks and the family travel concept to its tourism repertoire, Kuwait again appears to be breaking new ground. With the help of homegrown heroes, it could overcome the short-term slowdown in the sector and the longer-term challenges of its rivals. (OBG29.07)

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11.5 BAHRAIN: Transport on Track

The Oxford Business Group observed that Bahrain has long aspired to be a transport, trans-shipment and logistics hub in the Persian Gulf, an objective that will come close to being achieved in the coming years as the state's infrastructure investments start to bear fruit.

In recent years, Bahrain has invested heavily in building up its air cargo and port infrastructure. These investments include the new $530m Khalifa bin Salman Port - which opened in April this year - and the expansion of the Bahrain International Airport to increase its cargo-handling and passenger capacity.

However, while strengthening infrastructure on the island itself, Bahrain has suffered from the disadvantage of having but one land link to the rest of the region - the increasingly congested King Fahd Causeway connecting Bahrain with Saudi Arabia. Although the crossing is to be expanded by several lanes in the near future, having only one route has restricted the movement of both heavy cargo trans-shipped from Bahrain's ports and materials produced at the country's industrial sites.

All this will change in a matter of years, with work soon to begin on a massive bridge and causeway project that will link Bahrain with neighboring Qatar. At 40 km in length, the causeway will be the largest sea bridge in the world, providing a direct connection to Qatar. It is expected to significantly reduce transport travel time and costs for freighters carrying cargo to the UAE and beyond.

Construction work on the project was initially scheduled to start late in 2008 before being put back to the first half of this year. This timeline has again been shifted, to the second half of 2009, due to a major addition to the development's plan. The new causeway was originally planned to carry vehicle traffic alone on its four lanes, but will now include freight and passenger rail lines. While increasing the scope for transport potential, the project's cost will also increase from an initial estimate of $3bn to as much as $7bn.

Although the price tag for the project has more than doubled, so too have the expected benefits for Bahrain and its transport industry. With the opening of the Khalifa bin Salman Port, the Kingdom's container-handling capacity rose to 2.5m twenty foot equivalent units (TEUs) annually, a total that the government is considering doubling through further investments, making the port one of the largest of its type in the region. Currently, any container trans-shipment from Bahrain's ports to the mainland must be conducted by road, a relatively costly and inefficient method of moving such cargo. With a freight rail line in place, running directly from the country's main docks and industrial sites, Bahrain will be in a position to shift freight quickly and benefit from economies of scale.

Not only will the causeway connect the Kingdom to Qatar, it will also serve to fully integrate Bahrain's transport network into that of the Gulf region and beyond. In particular, the rail link is destined to join up with a much grander network, the planned Gulf Cooperation Council wide grid that will ultimately connect the region to Europe and Africa by rail.

While boosting Bahrain's land-based transport capacity, the causeway will not impede the vital shipping traffic that is the lifeblood of the country's import-export trade. At its highest point, there will be a 40m clearance under the span to allow oil rigs and other large vessels to pass underneath, ensuring the smooth flow of maritime traffic. Though the opening of the new causeway will be cause for celebration for Bahrain's transport industry, the party is still some way off. Though preliminary work is expected to begin after summer, the bridge will not be open for vehicle traffic until at least 2014, with up to two more years before the first trains cross the span. The wait should be worth it. Already an active entry port for trade in the Gulf, Bahrain's credentials as a transport hub can only be fast-tracked through the addition of a rail component. (OBG23.07)

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11.6 UAE: Abu Dhabi - Charged Up

While Abu Dhabi continues to buttress its credentials as an aspiring leader in green technologies with new investments, the emirate is already beginning to reap the benefits of previous similar policies and is hoping that initial successes will pave the way for further renewable energy projects.

On July 12 Abu Dhabi's Aabar Investments purchased 4% of Tesla Motors, a leading producer of electric cars. Aabar, whose largest stakeholder is the International Petroleum Investment Company (IPIC), which in turn is wholly owned by the government of Abu Dhabi, bought the stake from Stuttgart-based Daimler AG, of which Aabar is a major shareholder. It is the first joint strategic project the two companies have undertaken together since Aabar acquired 9.1% of the share capital of Daimler in March 2009 for $2.7bn.

Khadem Al Qubaisi, the chairman of Aabar Investments PJSC, said in a statement, "When we acquired our stake in Daimler in March we identified a number of potential areas for cooperation between our two businesses. One of these was a desire to focus on the development of electric vehicles and projects aiming at the reduction of carbon dioxide emissions."

Given Abu Dhabi's foray into all things green in recent years - which includes Masdar City, a carbon-neutral city development where electric-powered pod-cars are expected to play a key role in transportation - the investment is seen a strategic fit with the emirate's environmental ambitions. Abu Dhabi has set itself the goal of becoming a paragon for renewable energy and clean technologies through its Masdar Initiative, a multibillion dollar, multi-faceted investment in alternative energy established in 2006 that is expected to deepen and support the entire future energy value chain. The capital has also stated that it wants to generate 7% of its electricity from renewable energy sources by 2020.

It was policies such as these, as well as some skilful political oratory, that helped the UAE to become the new headquarters of the International Renewable Energy Agency (IRENA), the first intergovernmental agency focused on the promotion of environmentally friendly initiatives.

On June 30, IRENA's 136-member body watched as Germany and Austria, the UAE's rivals to host the fledgling agency, agreed to step aside to allow the headquarters to be set up in rent-free offices in Masdar City. During its start-up phase the new organization will have a staff of approximately 120 people, recruited from the best international institutions from across the world. However, it is expected that more employees will be needed as the agency develops, which means staffing numbers will climb to 250. Fittingly, the news of this landmark decision to house a UN body outside of the developed world came just a month after the emirate enjoyed its first output from alternative energy.

On May 30 at a ceremony at Masdar City, officials connected a 10 MW solar panel plant to the electricity grid. The project is ground breaking for the Middle East and supporters believe the $50.3m project is testimony to the argument that solar energy is a viable method of powering, at least in part, the emirate's electricity needs. It is important to note that although the current project is small in comparison to some other countries, such as Germany, it will still generate a considerable amount of electricity. The 17,500 MW-hours of power it will create each year will help play a role in fuelling the emirate's expanding economy. Roughly speaking, one megawatt is enough electricity to power between 500 and 1000 homes, so the output is a welcome boost.

Of course, there are also the environmental benefits to the project. According to Masdar officials, instead of releasing 15,000 tonnes of carbon dioxide a year into the atmosphere, the electricity generated by the solar panels will be carbon free. When compared to the carbon dioxide emitted by cars it is equivalent to taking 3300 petrol-guzzling cars off the emirate's roads. It may be early days in Abu Dhabi's use of solar power but now that the first project has been a success it opens the door to others. "The connection of this plant marks an important milestone in the development of Masdar City and in our emirate's history," said Sultan Al Jaber, the CEO of Masdar. "We believe this is just the first delivery of the rich potential of solar energy, and we will continue to deliver clean sources of energy to Abu Dhabi and beyond." (OBG30.07)

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11.7 EGYPT: Is Egypt Stable?

Aladdin Elaasar writes in the Middle East Quarterly for Summer 2009 that as Egyptian president Hosni Mubarak enters his twenty-eighth year in power, Egypt's future is more uncertain than ever. Egyptian society is stagnant and while Egyptians are proud of a heritage that goes back millennia, they are pessimistic about the future of their country, unsure whether Egypt can weather peacefully an economic downturn and a troubled transition upon the incapacitation or death of its octogenarian leader. Indeed, at a time when the Obama administration is once again basing U.S. policy toward the Middle East on the assumption of the Egyptian government's durability, many Egyptians - most prominently outspoken Egyptian journalist Abdulhalim Qandil - argue that Mubarak's regime is on the verge of collapse.

The Economy

The Egyptian economy is in trouble. Egyptian unemployment, according to international organizations, hovers above 20%, almost twice the official Egyptian government estimate; underemployment is epidemic. According to Transparency International, Egypt ranks in the bottom tier of Arab states for high levels of perceived corruption. The inflation rate continues to increase, increasing pressure on the unemployed, poor and elderly. Food riots erupted in April 2008 as the annual rise in food prices topped 20%. The gap between rich and poor is also growing. Perhaps three million Egyptians live in swank upper class villas in neighborhoods such as Ar-Rihab, Ash-Shuruq, Sharm el-Sheikh, Marina and Muqattam Heights while 44% of the country subsists on less than $2 per day. Less than 20% of Egyptians own nearly 80% of the country's wealth.[8]

Mubarak and his National Democratic Party cannot shirk accountability as they have been in sole control of the economy for more than a quarter century. When Mubarak took power, the Egyptian economy was in a much better shape. Government public revenues were 8.3b Egyptian pounds (E£) in 1981. From 1986 to 1987, expenditures nearly doubled, from E£ 13.2b to E£ 22.2b. Budget deficits increased from E£ 4.9b in 1985-86 to E£ 8.7b in 1986-87. American economist Ibrahim M. Oweiss, an expert on the Egyptian economy, concluded that since the mid-1980s "the Egyptian economy has essentially stagnated." The growth rate of gross domestic product per capita has been approximately zero. Mubarak has been unable to make the reforms necessary to address unemployment, inflation, housing, food crises and Egyptians' other urgent needs.

Over the past decade, the Egyptian pound has lost almost half its value against the U.S. dollar. A recent report by Goldman Sachs suggests a greater devaluation may be on the horizon. "Without a further depreciation in the Egyptian pound, the Central Bank of Egypt would risk further big losses in the foreign exchange reserves and only delay the inevitable adjustment that is needed," the report found. Should devaluation occur, the cost-of-living would increase because of Egypt's dependence on imports for many goods and services. This in turn would drive below the poverty line many millions of Egyptians struggling to keep their families afloat.

Cairo should also be concerned over its foreign exchange reserve, which has fluctuated significantly. Between 1997 and 2001, it declined by half from $30b to $15b before recovering to $31b in 2008. However, after the bread riots in April 2008, the Egyptian government may not have the political will power to devalue its currency and so risks depleting its foreign exchange reserves, which, in turn, could constrain its ability to stabilize its own currency.

There is very little indication that the Egyptian government can turn the situation around. Annual growth is not enough to absorb new entrants into the labor market. According to former Egyptian trade minister Ahmad Guwaili, the Egyptian education system does not prepare students adequately for the needs of the labor market. Those who do succeed often leave the country to pursue more lucrative opportunities abroad. According to the U.N. International Labor Organization, to halve the $1-a-day working poverty by 2015, gross domestic product (GDP) must grow at 4 - 5% a year, and to halve the $2-a-day working poverty by 2015, GDP must grow by 8 - 10% a year. Egypt's growth rate is closer to 3% for this year and will contract to 2.4% in 2010. Nor has Egypt's productivity moved in tandem with GDP, an unusual pattern, which the International Labor Organization attributes to increases in oil revenues accompanied by "stagnant productivity."

Egypt has an overwhelmingly young population: 37% of the population is below fifteen-years-old and 58% is younger than twenty-five,. The working-age population is increasing by 3% per year. A quarter of young men and a whopping 59% of young women are unemployed. The Mubarak regime has done little to increase employment, especially among youth. Ninety percent of the unemployed are between fifteen and twenty-four. One writer in the Egyptian weekly Al-Ahram expressed his frustration with the current labor situation:

"The drowning of 184 young Egyptian men off Italian coasts didn't make waves in this country. It happened off Libya. It happened off Greece and it keeps happening. Over and over, our young men brave death to get away ... there is a reason. There is a well of poverty and despair so deep that impels them to act so insanely."

The problem transcends the economic and can have profound social ramifications since many Egyptian men can neither afford to rent nor purchase an apartment, let alone marry, a dangerous phenomenon in a country that in the recent past, has had to battle an insurgency of young men recruited by violent Islamist groups. Amidst this affordable housing crisis, developers have constructed luxury complexes for the affluent, a jarring irritant to the dispossessed. Even if the young and unemployed do not turn to Islamism, either for lack of conviction or because of the effectiveness of the state security apparatus, their despair and frustration can manifest itself in a high rate of drug and alcohol use, divorce, domestic violence, sex crimes, and prostitution, all of which compound Egyptian social and economic problems.

The Opposition?

Edward S. Walker, Jr., who was the U.S. ambassador to Egypt from 1994 to 1997, and subsequently served as assistant secretary of state for Near Eastern affairs, criticized the duality of Egyptian policy, which can be called having its cake and eating it, too. It [the regime] plays to its domestic audience through the media, officially sponsored clerics and the educational system. The regime blames all its shortcomings on imperialism, Zionism, the West and the United States and uses that to build domestic support.

Although Egypt tolerates a number of opposition parties - the Arab Socialist Party (Hizb Misr al-Arabi al-Ishtiraki), the Liberal Party (Hizb al-Ahrar), the Progressive National Unionist Party (Hizb at-Tajammu' al-Watani at-Taqadummi al-Wahdawi'), the New Wafd Party (Hizb al-Wafd-al-Jadid), Tomorrow Party (Hizb al-Ghad), Kifaya, and the Democratic Front Party (Hizb al-Jabha al-Democrati - Mubarak handpicks high-level officials from within his National Democratic Party to serve in all high level and most mid-level posts. After decades of democratic drought, opposition parties are ineffective and have little organization capacity. When they do organize, they face a lack of resources and oppressive government tactics. Mubarak's government owns the media, and so even the best organized opposition receives little public exposure.

When the ruling party does abuse its power or flout the constitution, Egyptians have little recourse. According to the U.S. State Department, the Egyptian executive branch interferes with the judiciary. Senior officials can operate with impunity regardless of the law. Nowhere is this more apparent than with regard to judicial oversight of elections. By law, the judiciary in Egypt is required to supervise elections, but many judges report government pressure to legitimize fraud. Since the 2005 presidential elections, judges have led protests and sit-ins protesting against the government's decision to prosecute two senior colleagues: Hisham Bastawisi and Mahmud Mekki, members of the Court of Cassation, Egypt's highest appellate court, who sought an inquiry into fraud in the presidential elections and have asked for electoral and political reform. Egyptian-American sociologist Saad Eddin Ibrahim, an increasingly strident critic of the regime, suggested that the battle with the judges may well prove to be Mubarak's Achilles' heel. Justice is a central value for Egyptians, and its absence is at the core of all protests. There could have been no more compelling evidence of this than the unprecedented numbers of people who rallied peacefully in solidarity with the judge.

Ibrahim criticized Mubarak's use of the Emergency Law, first imposed in 1981, which gave the security forces broad powers to search without warrants and detain indefinitely without charge. While Mubarak promised an end to the emergency regime, the National Democratic Party-dominated parliament simply wrote its provisions into "reformed" anti-terror legislation.

As the Bush administration abandoned its freedom agenda after the Hamas victory in Palestinian elections and with Secretary of State Clinton openly acknowledging in the context of China that the Obama administration would prioritize human rights concerns even less, the Mubarak regime appears to feel itself having carte blanche to curtail civil liberties. The State Department's 2008 human rights report found that Cairo's respect for freedoms of press, association, and religion all declined over the year. The Egyptian government continues to restrict other civil liberties, particularly freedom of speech, access to the Internet, and freedom of assembly, as well as to crackdown on the activities of nongovernmental organizations, such as Ibrahim's Ibn Khaldun Center for Development Studies.

As a result, there is a dangerous political void in Egypt. The average Egyptian citizen feels that his voice is not heard. While Egypt nominally allows multiparty elections, polling brings no change. The International Crisis Group called the 2005 elections "a false start for reform" and noted "presidential elections are merely symbolic so long as the opposition is too weak to produce plausible candidates." U.S. abandonment of demands for reform and the embrace of Mubarak and his son Gamal by both the Rice and Clinton state departments have encouraged the Egyptian leadership to accelerate its crackdown on dissent and raised the Egyptian public's cynicism toward the United States.

Such cynicism was compounded by the long-delayed 2008 municipal elections considered a sham by both Egyptian and outside observers. Not only independent candidates close to the outlawed Muslim Brotherhood, but also politicians from registered opposition parties reported difficulties registering in an apparent government campaign to prevent opposition candidates from participating in the elections. More than 3,000 candidates, whose registration the government prevented, sued the government. Although the courts ruled in favor of the candidates in 2,664 cases, the government refused to implement the rulings.

On March 30, Human Rights Watch issued a statement questioning the legitimacy of the elections in which, subsequently, National Democratic Party candidates won 92% of the seats. There were only nine women in the People's Assembly (out of 454 total seats) and twenty-one in the upper-level Shura Council (out of 264). Only three women received portfolios - for the ministries of International Cooperation, Manpower & Immigration and Families & Population - in the thirty-two member cabinet. Christians are as underrepresented as women. Copts may represent 8 to 12% of the population but received less than 2% of the seats in the People's Assembly and Shura Council. The Carnegie Endowment for International Peace described the elections as "a step backwards for Egyptian politics," and the Egyptian Organization for Human Rights did not monitor the elections because of citizens' reluctance to participate and the elections' lack of competitiveness.

Challenge to Obama?

The danger for the West is that dissatisfaction that already manifests itself in general anti-Western and very specific anti-American sentiment could be the precursor to even more virulent anti-Western Islamism. It is possible to find parallels in Egypt to pre-revolutionary Iran. Years before the Islamic Revolution in Iran, young Iranians were applauding Jalal al-e Ahmad's Westoxification, a strident condemnation of Western influence on society. As former French diplomat Eric Rouleau noted more than a decade ago, the rise of political Islam in Egypt should not surprise, given the social ills engendered by extended unemployment, especially among the qualified young; aggravated social polarization in which ill gained wealth, insolently displayed, stood out against the growing misery of the rural and urban population; and generalized corruption spreading right up to the highest levels of society and state.

Unlike Gamal Abdel Nasser and Anwar Sadat, Mubarak has never appointed a vice-president. Mubarak has been polishing his son Gamal to be his successor, a mockery of Egyptian republicanism and democracy. Egyptians are enraged that they appear ready to follow the path of Syria, in which a president, who came to power in a military coup, installed his own son as successor. If Gamal takes power, Egyptians fear he would continue his father's policy of enriching the elite, suppressing the poor, all while ignoring effective reform. Mubarak has ruled Egypt with an iron fist; he has turned Egypt into a police state rivaling Syria's or Tunisia's with a security force infrastructure that numbers nearly two million. Indeed, many U.S. analysts acknowledge Egypt's instability. "It will rock the world," wrote Michelle Dunne, a Carnegie Endowment for International Peace scholar. "Octogenarian Mubarak, will leave office, either by his own decision or that of providence, probably within the next three years."

Instability in Egypt after Mubarak's incapacitation or death may become an international security concern. There is no clear chain of command or civil society base to facilitate the transfer of power to the next president. According to Thomas Barnett, a national security analyst and former professor at the U.S. Naval War College, the insecure succession could create a vacuum in which the Muslim Brotherhood could rise:

By hardwiring themselves into the goodwill of the masses through highly effective social-welfare nets, the Brotherhood is retracing the electoral pathway to power blazed by Hamas in Palestine and Hezbollah in Lebanon: hearts and minds first, blood and guts later.

Meanwhile, there are already signs of discord between Washington and Cairo. Citing Mubarak's cold peace with Israel and dealings with terrorist supporting states on its borders, Robert Satloff, executive director of the Washington Institute for Near East Policy, told the U.S. House of Representatives' Committee on International Relations, "The foundation of the bilateral relationship has eroded. Divergences have emerged over a wide range of Egyptian policies." Equally alarming is the rise of anti-American and anti-Semitic conspiracy theories in Egypt's state media and society.

Obama will find himself facing a difficult choice when instability strikes the largest Arab country. Every Egyptian leader since Nasser has arisen from the military. Would an ambitious general stage another coup? Perhaps under populist pressure, would a new regime or junta scrap the Camp David accords as some judges demanded during the July 2006 Hezbollah war against Israel? Or is it possible that the Muslim Brotherhood may gain strength, even paramount control? Populism - Islamist or otherwise - should be a concern given a moribund economy and growing disparity between classes and the amount of military equipment and even nuclear technology that the U.S. government has provided Egypt. If the Muslim Brotherhood were to achieve power in Egypt, the destruction of Israel would again be the unifying principle for governments in the region.

Aladdin Elaasar, a former professor of Arabic language and area studies at the Defense Language Institute and the Monterey Institute of International Studies, is author, most recently, of The Last Pharaoh: Mubarak and the Uncertain Future of Egypt in the Volatile Mid East (Chicago: Beacon Press, 2009). The Egyptian government has banned his books. (MEQ Summer 2009)

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11.8 EGYPT: Food and Drink Report Q3/2009 - Latest Key Findings & Analysis

Research and Markets (http://www.researchandmarkets.com) has announced the addition of the "Egypt Food and Drink Report Q3 2009" report to their offering.

Egypt places fifth in BMI's regional Food & Drink Business Environment Ratings table for Q3/09. Although a decline in private investment will dampen Egypt's outlook, its economy is expected to outperform the wider regions in 2009 with GDP growth coming in at 3.7%. Despite the global meltdown affecting expansions, Egypt's food and drink industries have continued to attract investment from Saudi Arabia in particular as discussed in BMI's recently published Egypt Food & Drink Report for Q3/09.

At the time of writing, International Dairy and Juice Limited - a promising joint venture between Almarai and PepsiCo - was on the verge of finalizing the acquisition of leading Egyptian dairy company International Company for Agro-Industrial Projects (Beyti). Should the deal be finalized, it will be worth around Eâ‚¤650mn, which would make it the biggest food and drink M&A deal in Egypt in 2009 so far. It is believed that Almarai will be responsible for managing Beyti's production, while PepsiCo will spearhead its marketing operation. Both companies stand to gain from BMI's forecast that through to 2013, food consumption will increase by 16.6% to Eâ‚¤234bn ($42bn).

In June 2009, Saudi food and drink company Halwani Brothers announced plans to double its annual sales growth to 10% by 2011 by investing $66.7m in expansions. The project will be set in motion by the launch of a new biscuit plant and packaging facility by 2010. Although it is based in Saudi Arabia, Halwani earns around 60% of its income in Egypt and is similarly well placed to benefit from BMI's upbeat aforementioned food consumption forecast.

Also in June, Saudi Arabia-based mass grocery retailer (MGR) Al-Othaim announced plans to enter Egypt's emerging retail market. Joining the likes of Carrefour MAF and UAE-based Spinneys, Al- Othaim will be encouraged by BMI's forecast that MGR sales are expected to rise by 32.9% between 2009 and 2013 to reach Eâ‚¤32.5b. Despite its undoubted promise, the country's MGR industry has proven a poisoned chalice for a number of distinguished retailers, most notably UK-based Sainsbury's and South Africa's Shoprite. Both have subsequently exited having failed to adapt to consumer preferences. As a regional retailer, Al-Othaim is less likely to encounter such difficulties.

Egypt is shaping up to be a key frontier market for food and drink companies. Through to 2013, its GDP per capita is forecast to rocket up by almost 150% to reach US$5,200 while its population is expected to grow to within touching distance of 90mn. What is more, the country appeal extends well beyond its own border. Export opportunities are aplenty through the country's free trade access to the Gulf Co-operation Council (GCC) and Common Market for Eastern and Southern Africa (COMESA) regions. (R&M04.08)

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11.9 MOROCCO: Steady Progress

In the two years since King Mohammed VI called for Morocco's education system to "shake off the lethargy affecting the sector and get reform back on track", a rise in the number of programs and loans suggest that the king's commitment is translating into substantial action. Although gender and regional disparities remain, the most recent initiatives launched under the Emergency Plan (Plan d'Urgence 2009-11) seek to address these issues through targeted financing and have already posted improved figures.

Women's education has long been slated for reform, and with the initial successes of the Advanced Learning and Employability for a Better Future (ALEF) program, the government may finally have found a useable formula. At a press conference in late June, the secretary of state for school education, Latifa Abdida, announced that the project, which has been in a pilot phase since 2005, will be rolled out across the country and made permanent. ALEF targets a broad range of goals and results tentatively show that the program has helped reduce pupil and teacher absenteeism and drop-out rates, raised test scores and increased community partners, including parents, non-governmental organizations (NGOs) and the private sector.

One of its key components is that the schools, which are located in remote areas, offer girls the opportunity to board on campus, thus reducing one of the most difficult barriers to attendance. The Dar Taliba de Qualite (girls' dormitories) provide lodging, educational and psycho-social support in an attempt to raise rural female attendance rates from 16.5%, which stand well below the national average of 60%. There were 212 such schools in 2007-08, with that number expected to reach 774 this year. Government surveys have shown that the drop-out rate for boarding students is less than 1% and that academic performance has improved dramatically as well, with the general pass rate up from 43% in 2006-07 to 84% in 2007-08.

In addition to increasing the number of students receiving basic education, ALEF also works with local partners to develop pragmatic vocational curricula. While the US Agency for International Development, Entraide Nationale and the National Federation of Charity Associations are the key sponsors, private sector actors, including those from agribusiness, tourism and information and communications technology have all teamed up with the project to increase the relevance of school curricula and vocational training to the job market.

The curriculum reform will also run more smoothly once the much-needed infrastructure upgrades are finished. Both rural and urban schools are in need of basic improvements, such as electricity, sewage facilities and drinking water. The Emergency Plan will renovate more than 15,000 existing schools, as well as adding about 300, 12-classroom schools in urban neighborhoods and nearly 500 eight-classroom schools in rural areas. The program will also boost secondary education facilities, building 671 new colleges, two-thirds of which will be in rural areas, as well as 425 new boarding facilities. The expansion of facilities will be coupled with the expansion of the teaching staff, with the government hoping to recruit an additional 41,500 teachers to cope with the projected increase in enrolment.

While the government is committed to backing the plans, local government, NGOs and the Hassan II fund are all being asked to help finance the increased annual bill. The Ministry of Education's total budget for 2009, at Dh47.8bn (€4.25bn), is a 23.3% increase from 2008.

It is a difficult year to secure financing, but in June and July a number of organizations offered their support. Morocco and the Spanish Agency for International Development Cooperation signed a €2m cooperation protocol to support illiteracy and non-formal education in the regions of Tangier-Tetouan, Taza Al Hoceima, Oriental and Sous-Massa-Drea. Loans from the European Investment Bank and the French Development Agency will further bolster the sector's reform. In early July the organizations agreed to loan €200m and €50m, respectively, to help support the Emergency Plan. While details of the agreements have yet to be announced, Salaheddine Mezouar, Morocco's finance minister, told local press that both will "strengthen the quality and capacity" of the Kingdom's educational system. Another grant, from a rather unconventional source, will also fund school renovation, particularly in rural areas. The Morocco Classic Rally donated over Dh694m (€62m) to socioeconomic projects, with education as one of the major recipients.

These grants will certainly ease the fiscal burden of the reforms, and government is looking to cut expenses further by providing incentives for private school investment. The education ministry reports that private education currently accounts for just fewer than 10% of all school education in the Kingdom, but it is seeking to increase that portion to 20% in 2010. Investors are being encouraged to set up operations outside of the urban areas, with incentives ranging from a 50% exemption from corporate income tax for the first five years, to the elimination of the VAT on equipment. Crossover between the public and private sectors is also starting to take off, with private school teaching staff taking courses at the national Education Ministry's training centers, public school teachers being authorized to work part-time in private schools and private school students sitting for public examinations. Other potential collaborations include measures to facilitate private investment, private-sector run state schools and the promotion of new management and operation models.

While the government hopes that the development of private schools will eventually reduce the strain on the state system, the fees remain prohibitively high for most Moroccan families. Until the costs become more affordable, the government will have to step up and provide the requisite financial support to sustain the public system. Despite the expense, the state has announced its continued dedication, with the education minister, Ahmed Akhchichine, calling the rehabilitation of the public schools "crucial to the development of a democratic and modern Morocco". With two years left to go in the Emergency Plan, the continued enthusiasm of both the government and international organizations will be key to ensuring success. (OBG29.07)

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11.10 PAKISTAN: Food and Drink Report Q3 2009

Research and Markets (http://www.researchandmarkets.com) announced the addition of the "Pakistan Food and Drink Report Q3 2009" report to their offering.

Pakistan is firmly rooted at the foot of the Asia Pacific Food & Drink Business Environment Ratings table for Q3/09 after a disappointing quarter that re-emphasized the country's standing as the region's least attractive investment market. Our forecast that Pakistan's GDP will grow by 2.5% in 2009 serves more to highlight its disconnection from the global economy than its ability to withstand the wider economic downturn. Despite the infinite regulatory challenges attributed to operating in Pakistan, with the exception of alcohol, its drinks industry remains fairly buoyant.

Pakistan's soft drinks industry is dominated by the basic carbonate range of traditional giants Coca-Cola and PepsiCo. Although health consciousness has begun to surface, the limited spending power of consumers means the trend has yet to truly impact the soft drinks industry and is likely to remain confined to niche markets for the foreseeable future. With this in mind, the expectation is that the carbonates segment to continue claiming the majority of volume growth.

Between 2009 and 2013, soft drink value sales are forecast to increase by 45.3% to $263m as a slight rise in disposable incomes allow consumers to allocate a greater proportion of their incomes to consumption. Considering that Pakistan has a growing population of 164million, per capita soft drinks consumption is likely to remain very low for the foreseeable future. Although frustrating for incumbent producers, this does underline the industry's potential for both volume and value sales gains over the long term.

Pakistanis are among the highest per capita tea consumers in the world and unsurprisingly the country boasts a stellar tea industry, headed by domestic processor Tapal Tea. The lethargy of the coffee sector means tea processors are likely to completely dominate the hot drinks industry for some time yet (estimates of coffee sales in 2008 were a mere $4.2m). Tapal is well placed to capitalize on forecasts that tea value sales are expected to rise by 45.7% through to 2013 and reach $797mn. Intriguingly, the size of the tea industry comfortably outstrips that of soft drinks, which is a rarity in most emerging markets (we estimate tea sales to have been three times greater than soft drink sales in 2008). Processors like Tapal will be hoping the government makes good on its efforts to curb illegal tea imports into the country. (R&M23.07)

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11.11 BULGARIA: Moody's Issues Annual Report On Bulgaria

In its new sovereign credit report on Bulgaria, Moody's Investors Service (http://www.moodys.com) says that Bulgaria's Baa3 government bond ratings and stable outlooks are supported by its government's firm fiscal position and low debt burden, but constrained by prospects of a difficult recession and the institutional weaknesses its government is struggling to address.

"The country's economic strength is suffering a setback in 2009, as the domestic demand-led boom is coming to an end," says Kenneth Orchard, a Vice President-Senior Analyst in Moody's Sovereign Group. "Real output is set to contract by at least 5%, as a result of a sharp fall in exports on the back of the deep recession in the major European economies and a tightening of credit in the European banking system."

With a small economy, Bulgaria's nominal GDP is forecast at $44b in 2009, well below the Baa-category median and larger regional economies. The economy has shown impressive convergence over the past ten years, however, with real GDP growth averaging 5.3% per annum, even as the population declined. The country was raised to investment grade in March 2006 and Moody's affirmed the current ratings in March 2009. Moody's expects the growth setback to be temporary and for real income convergence to resume eventually -- and be more sustainable. Government financial strength is, however, holding up well in the current crisis.

"Past fiscal efforts have paid off," says Mr. Orchard. "Bulgaria entered the recession with a large budget surplus, and the reduction in government revenue has not led to an enormous budget deficit, as it did for many countries around the world. Despite the deteriorating economic and financial situation, the government's sound initial fiscal position and low debt burden leave it well-placed to cope with the ongoing crisis."

Moody's forecasts a budget deficit of 2.7% of GDP in 2009, which would be among the lowest in the EU. However, this also means that Bulgaria's public debt ratios are expected to increase over the next few years - possibly by a considerable amount (off of a low base) if the economy fails to stabilize in the near term.

Indeed, Moody's believes the country is moderately susceptible to three event risks: (i) the economic downturn, which the government has managed to control so far, but which is still at an early stage in Bulgaria and could become much worse; (ii) problems in the banking sector, particularly in locally owned institutions; and (iii) financial contagion, initiated by a severe event in another country in the region.

Moody's analysis also factors in the possibility that the government could enter into a standby arrangement with the IMF to secure associated financing from the EU and related institutions. The issuance of this credit report by Moody's Investors Service is an annual update to the markets and is not a formal action to alter the credit rating of the issuer. (Moody's 22.07)

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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