Fortnightly - January 06, 2010

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1: ISRAEL GOVERNMENT ACTIONS & STATEMENTS

1.1 Funding Increased to US-Israeli Investment Funds

Minister of Finance Steinitz and Minister of Industry, Trade & Labor Ben-Eliezer have decided to increase Israel's participation in three US-Israeli binational funds: Israel-United States Binational Industrial Research and Development Foundation (BIRD-F), Binational Agricultural Research & Development Fund (BARD) and the Binational Science Foundation (BSF). The Ministry of Finance will allocate $40 million to the three funds and Chief Scientist Dr. Opper will boost his office's funding for BIRD-F by $15 million. The Ministries of Finance and Industry said that the funding was increased in recognition of the importance of R&D and technology innovation as key growth engines for developed countries. Another reason is the wish to continue encouraging collaboration on outstanding research between US and Israeli scientists, manufacturers, and entrepreneurs. The decision was taken in the wake of the latest annual Joint Economic Development Group (JEDG) meeting. This year's meeting focused on expanding joint R&D and high-tech projects, in part by expanding current tools, such as BARD, BIRD and the BSF. The US administration is also considering increasing funding for the three programs. (Globes 04.01)

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1.2 Israel's Value-Added Tax (VAT) Drops By 0.5%

Finance Minister Steinitz decided to reduce Israel's value-added tax (VAT) by half a percent at the beginning of 2010. The new rate will be 16% and went into effect on Friday, 1 January. The Knesset approved the cut on 30 December, with 49 MKs voted for the proposal and no votes against the move. The lower tax is expected to increase economic growth, to increase purchasing power of weaker segments of society and to narrow socio-economic gaps, and curb inflationary pressures. The Finance Ministry said state revenues would decrease by NIS 1.8 billion as a result of the move. It stated that this was made possible by the fact that Israel was not very severely impacted by the recent international economic crisis, and has been witnessing economic growth since the passage of the bi-annual budget and economic plan. The Finance Ministry also noted that the decision on VAT was made in full coordination with Prime Minister Binyamin Netanyahu's office. The higher VAT and other indirect taxes contributed to growing inflation, which reached 3.8% over the past year. Without those tax hikes, inflation would only have been 2.6%. The Bank of Israel has been raising interest rates over the past several months to battle growing inflation expectations. (Various30.12)

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1.3 Finance Ministry Says Stronger Economy Led to VAT Cut

Globes quoted Ministry of Finance director general Shani explaining the ministry's decision for cutting the value added tax (VAT). Shani told IDF Radio, "We are cutting a half% with the goal of cutting VAT in a measured and set way. We saw that in comparison with the government's original plans, which were authorized by the Knesset only a half a year ago, there has been an improvement in Israel's economic situation. The business results are better than we thought - which led us to decide to carry out the measure." Shani claims that the current cut will aid weaker economic segments of the population. "They will benefit from the move because they are the ones who spend most of their income. In addition, we plan in 2010 to increase the allocation, something that will speak well to those classes." Shani also referred to the economy's economic growth outlook. "There is still uncertainty about next year and about the strength of the recovery, but apparently the growth in 2009 will be better than we expected. Along with the question marks, we see an exit from the recession at a quick pace, quicker than we previously thought." (Globes 30.12)

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2: ISRAEL MARKET & BUSINESS NEWS

2.1 Givot Olam Says Has A Significant Oil Find in Israel

Givot Olam Oil Exploration Limited Partnership notified the Tel Aviv Stock Exchange (TASE) on 24 December that it found "significant quantities" of oil at its Meged 5 well in Rosh HaAyin. The company cautioned that it could not precisely estimate the size of the find at this time. The drilling is continuing, and only when it is completed and all necessary tests are conducted, including electrical logs and production and processing tests, will it be possible to know whether the oil find is commercial. At a presentation to investors in May, Givot Olam said that the Meged 5 well's target depth was 4,850 meters, and would cost $10.7 million. The company gave a 40% chance of finding oil. Givot Olam estimated the potential of oil at the Meged 5 well at 2.3 million barrels and the potential of the field as a whole at 50-129 million barrels. This is a small field by global standards. However, at the current price of oil and assuming that the company will not revise these numbers, sales could range between $3.85 billion and $9.99 billion. Givot Olam began drilling the Meged 5 well in June. The company has invested $50 million in the Meged wells since it obtained the exploration license in 1992. The wells faced technical problems, and drilling at the Meged 3 well was halted twice. Oil has been found at previous wells, but not in commercial quantities. The company went public in 1993. (Globes 24.12)

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2.2 IEC Signs Largest Energy Deal In Israel's History

The Israel Electric Corporation (IEC) has signed a letter of intent with the Tamar gas drilling consortium to buy natural gas. The mammoth deal is valued at over NIS 10 billion. The gas acquired is worth NIS 9.5 billion. In addition to the cost of the gas, the IEC will pay hundreds of millions of shekels for the use and maintenance of the Yam Tethys reserve, which will be used as storage for reserves. Estimates are that the price of the gas will be over $5.50 per BTU. The IEC board agreed to the terms at its meeting on 24 December. (Globes 27.12)

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2.3 ATCC Names Biological Industries Exclusive Distributor in Israel

Manassas, Virginia's ATCC announced a distribution and development partnership with Biological Industries to become the exclusive distributor of ATCC products in Israel. The Israel-based organization is now the newest member of the global network of distributors for ATCC. Israel is a growing center for life sciences intellectual property. Their partnership will provide essential infrastructure for the needs of Israeli academic institutions and commercial biopharma organizations as well as allow ATCC to engage in the joint development of life science reagents of mutual interest. The agreement will improve access to ATCC products for the Israeli academic, industrial, and quality control testing communities. It will also streamline logistics for biological materials management and customer services. Biological Industries is a privately-held, leading biotechnology manufacturer. They are a provider of a large range of animal cell culture products including sterile sea, liquid and powdered synthetic media, supplements and novel serum free media products in the field of cellular biology, as well as products for molecular biology. (ATCC04.01)

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2.4 Telefonica Acquires IP Communications Leader JAJAH

The UK's Telefonica announced the acquisition of the leading communications innovator JAJAH for the value of €145 million in an all-cash transaction. The agreement is subject to formal clearance by CNC, the Spanish competition authority. The purchase of JAJAH significantly enriches Telefonica's capabilities to offer cutting-edge communications services for customers online - whenever, wherever and however they want. JAJAH has a successful range of innovative consumer, small business and enterprise solutions, combining Internet technology with telephony to create user-friendly, high quality communications services. JAJAH will continue to operate under its current brand reporting into Telefonica Europe, which will be the first of Telefonica's regional business divisions to offer seamless JAJAH services to customers wishing to extend their communications experience. Telefonica Europe was advised in the transaction by KPMG, and JAJAH was advised by CFP Corporate Finance Partners. Deutsche Bank acted as advisor in closing procedures.

JAJAH's (http://www.JAJAH.com) IP Communications Platform offers flexible, next-generation integrated communications solutions for enterprises, telecommunications companies and individuals. JAJAH's award-winning services make it easier for people to stay in touch using any device, on any network, anywhere. Leveraging a universal open telecommunications platform, JAJAH's managed services allow mobile operators, landline carriers, cable companies, technology companies and other businesses to adopt its voice solutions with minimal investment and time to market. The leading global IP communications company is headquartered in Mountain View, California, with R&D offices in Israel. (Telefonica 23.12)

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3: REGIONAL PRIVATE SECTOR NEWS

3.1 UAE Set To Spend $14.6 Billion For Interior Design Contracting Through 2010

The UAE is expected to spend $14.6b for interior design contracting and fit-outs by 2010, which reflects a significant increase from the 2008 levels, revealed a recent industry study. Eyeing the prospects within the burgeoning market, Danube Building Materials, the leader in construction, building materials and shop fitting industries, has announced plans to expand its Danube BUILDMART chain of retail stores and its range of design and interior products to leverage the burgeoning market. The company has recently opened its newest Danube BUILDMART branch in Fujairah and in Dubai Festival City, which marks the company's first-ever retail showroom in a mall, and has announced plans to open similar branches in Ibn Battuta Mall in Dubai, Dalma Mall in Abu Dhabi and Bawadi Mall in Al Ain. Amidst the recession, the UAE remains a leader in the region in the construction arena, accounting for 66% of all new projects in the GCC, which are valued at an estimated $149 billion. As the country expects the completion of high-end and middle-income residential properties until 2012, Danube is gearing up to address the need for high-quality interior design products including hard finishes such as floorings, ceilings and walls, which usually account for an average of 15 to 20% of the total project value; and fit-outs including furniture and fixtures, electrical, kitchen and laundry works, which comprise an estimated 5 to 8%. (BI-ME 28.12)

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3.2 Downturn Hits Dubai-Based US Universities

US universities that have opened branches in Dubai have seen a drop in admissions and are struggling to attract enough qualified students. Michigan State University's Dubai branch, which currently has 85 undergraduates, is even offering half-price tuition in a bid to increase numbers. The campus will now take five years to break-even, two years more than originally planned, though the university was still determined to remain in Dubai. Rochester Institute of Technology's Dubai branch had originally accepted 100 students for the current academic year, however only 50 started term. This campus now plans to extend its services to undergraduate level in order to attract more students. George Mason, which was one of the first US universities to establish a branch in the UAE, closed its Ras Al Khaimah campus in May after it failing to produce any graduates. Meanwhile, Abu Dhabi's base as an educational hub among US institutions is gathering pace as New York University planning to set up an exclusive arts program in the emirate next Autumn. The NYU arts course, which will cost about $63,000 a year, will be offered to a select group of 100 students from around the world. (AB29.12)

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3.3 Scotiabank Becomes First Canadian Bank To Operate In Dubai International Financial Centre

The Dubai International Financial Centre (DIFC) announced that Scotiabank, one of North America's leading financial institutions, has received a license from the Dubai Financial Services Authority (DFSA) to operate within the financial district. Scotiabank is the first Canadian bank to operate from the DIFC. The license allows the Bank's ScotiaMocatta division – a global leader in precious metals trading, financing and physical products – to open its own branch in the DIFC. ScotiaMocatta has operated in Dubai since 1998 through an alliance with National Bank of Dubai (NBD), providing gold loans and price hedging facilities to Dubai-based bullion traders, jewelers, manufactures and refiners. (BI-ME 22.12)

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3.4 PCS Edventures! Announces Professional Development Program Launch in Saudi Arabia

Boise, Idaho's PCS Edventures!.com announced the signing of an agreement between PCS' Middle Eastern distributor, Global Techniques dba PCS Middle East and the Prince Salman Center for Creating Leaders, involving the launch of a robotics professional development initiative for educators in Saudi Arabia in January 2010. The Certified Robotics

Educator (CRE) training program developed by PCS in Boise, Idaho consists of hands-on robotics workshops designed to introduce educators to the application and effectiveness of robotics in K-12 education. The objective of this training is to develop awareness, understanding and confidence in a number of robotics systems used in education, and to provide educators with hands-on experience with the PCS Robotics system. PCS' CRE course modules address robotics systems, popular platforms on the market today, programming environments and concepts, and background information on robotics competitions. (PCS Edventures!.com 23.120

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3.5 Digital Ally Ships $3 Million-Plus Order to Turkish Police Department

Overland Park, Kansas' Digital Ally, which develops, manufactures and markets advanced video surveillance products for law enforcement, homeland security and commercial security applications, has shipped to the Turkish Police Department a previously announced order for DVM-750 In-Car Digital Video Systems valued at over $3m. Working closely with its sales representative in Turkey, Mesan Inc., Digital Ally was awarded the contract from the General Directorate of Police in October 2009. In Turkey, the police forces are responsible for law enforcement in cities and certain other locations, including airports. Traffic police are responsible for the safety of transportation and also work with the registration of vehicles. The Turkish Police also play a large role in important intelligence and counter-terrorist operations. (Digital Ally 30.12)

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3.6 First Taco Bell in Cyprus Opens at My Mall, Limassol

The largest Mexican style restaurant chain Taco Bell, has just opened its first operation in Cyprus at My Mall Limassol. The opening was celebrated by a party attended by TV, football and business celebrities as well as fans of Taco Bell. PHC Franchised Restaurants are the licensed franchisees of the restaurant chain. Customers enjoyed Mexican and Tex-Mex favorites like tacos, burritos, quesadillas, nachos and the famous crunchwraps. The public has rapidly taken to this new food style and the opening days' reports praise the combination of quality, price and quantity. (FM29.12)

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4: CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

4.1 Third International Renewable Energy Conference to be held in Eilat

The Third International Eilat-Eilot Renewable Energy Conference (http://eilatenergy.org) will be held in February in Eilat. Organized by the Eilat Eilot Renewable Energy Administration in association with the Technologies Company, the conference focuses on the latest innovations in renewable energy. The conference is an international forum encouraging discussion and debate of policies, technology, business and investment practices to lead to cost effective, doable solutions. More than 2,000 people are expected to attend the conference, including former US Ambassador to Israel Richard Jones, who is now the Deputy Executive Director of the International Energy Agency; Michael Peevey, President of California Public Utility Commission and Dr. Hermann Scheer, General Chairman of the World Council for Renewable Energy. Some of the topics to be explored at the conference include: Renewable development in Israel, solar power, policies and regulations, and renewable energy technology. This year's Conference will include an additional track dedicated to the role of advanced energy-conservation technologies highlighting Israeli and other nation's contributions to the field of green building science and carbon reduction. Following the conference's selection for inclusion in the European Commission's ECO4B initiative, the Eilat-Eilot RE Conference will also address EU legislature aimed at solar industry.

The European Commission, the executive arm of the European Union, has chosen the Eilat-Eilot Conference for inclusion in the Commission's ECO4B initiative, a select project led by the Enterprise Europe Network which will invest €250,000 in renewable energy conferences taking place over 2010-2011. The substantial monetary grant awarded to the ECO4B partner conferences will be used for subsidizing the participation of hi-profile delegations of businessmen and officials at each of the events with the specific aim of building new relationships and seeking potential partnerships. The 2010 Conference in Eilat will include the unveiling of a proposed model for dealing with the energy crisis through the promotion of the key elements required by developed nations to shape a sustainable energy future. These include raising awareness and education, research and development, the commercialization of technology, production of energy from renewable resources, energy conservation and supportive regulation.

The Eilat-Eilot Renewable Energy Administration, operating under the regional municipalities, has been promoting Renewable Energy as a catalyst for regional development for the last four years. Starting with a vision to develop Israel's sun drenched desert and Red Sea resort local, its early pioneers established the Administration to guide the implementation of Israel's and the world's first energy independent region.

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4.2 Environment Minister Mulls 2 Cans For Every Garbage

Globes quoted Israel's Minister of the Environment Erdan concerning how Israel would meet President Peres' commitment at the UN Copenhagen Climate Change Conference to cut greenhouse gas emissions by 20% by 2020. Erdan said that nearly 10% of Israel's greenhouse gas emissions came from household waste and that most people were unaware of this. He said that the Ministry wants to dispense two garbage cans to every household in order to separate waste at source: one can for wet and organic waste and a second can for dry waste. Erdan explained that his ministry provided Peres with the data to support his declaration and that the Ministry was working hard to reduce Israel's greenhouse gas emissions. Methods he mentioned were extensive investment in solar energy, recycling, electricity conservation, together with the country's citizens, and expanding and improving public transport. (Globes 29.12)

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4.3 Sunday Energy & Moshav Sde Zvi Sign Solar Deal

Photovoltaic array integrator Sunday Energy (http://www.sundayisrael.com) has signed an option agreement with Moshav Sde Zvi in the Negev to build a 45 MW photovoltaic array on an 800-dunam (200-acre) site on the moshav at an estimated cost of NIS 800 million. Construction of the array is contingent on signing a contract. Sunday and Ormat Industries are due to build the first 5 MW array when the government approves solar energy projects greater than 50 kilowatts. Construction of the other 40 MW is still open. The initial array is part of the companies' cooperation agreement from October to finance and build photovoltaic arrays across the country with an aggregate output of 36 megawatts at an estimated cost of NIS 700 million. The initial investment in Sde Zvi solar array is estimated at NIS 90 million. (Globes 29.12)

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5: ARAB STATE & PAKISTANI DEVELOPMENTS

5.1 Jordanian-Canadian FTA Will Come Into Force in 2010's First Quarter

The Jordanian-Canadian Free Trade Agreement (FTA) will go into effect in the first quarter of 2010, said Jordanian Minister of Industry & Trade Hadidi. The Minister added that Jordan was the first Arab country to seal a free trade agreement with Canada, noting that the accord would help boost economic cooperation and beef up bilateral trade exchange. Jordanian products would enjoy a tariff and customs free entrance to the Canadian market, a fact that would significantly promote the competitiveness of the national product, Hadidi explained. On the other hand, the minister noted that the Canadian exports to the Kingdom would benefit from a gradual decrease in tariffs and customs throughout an agreed upon period. The accord was the culmination of a 2007 visit by His Majesty King Abdullah II to Canada during which the two countries declared the start of negotiations which led to signing the first letters of the agreement in August 2008. (Petra30.12)

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5.2 Low Demand & Strong Competition Hurt Jordan's Exports In 2009

Low demand and strong competition from neighboring countries were the main reasons for the 20% decline in the Kingdom's exports in 2009. Minister of Industry & Trade Hadidi said Jordan lacks the financial and natural resources of other countries in the region, adding that these countries provide direct cash support to their industrial sectors. Highlighting the ministry's plans for the coming few months, Hadidi said it will focus on addressing challenges facing specific sectors and finding tools to motivate their growth in the short, medium and long terms. Jordan is currently focusing efforts on penetrating new markets such as Algeria, Libya, Yemen, Sudan and Iraq. The ministry will implement a campaign to promote Jordanian products in these targeted countries, the minister said, noting that the Arab Free Trade Agreement (AFTA), which was signed five years ago, exempted all intra-Arab trade from customs. He underlined that around 45% of the Kingdom's foreign trade is with Arab states, adding that Jordan is fully committed to the terms of the

AFTA, which calls for promoting intra-Arab trade. Regarding the Jordan-Canada FTA, the minister expected the deal to come into effect as of the beginning of next April, noting that the agreement is complementary to the agreement signed with the US because US buyers of Jordanian products re-export to Canada. Hadidi also announced that the service sector will soon benefit from a €15 million agreement signed previously with the EU, in addition to another €15 million agreement expected to be signed shortly, which will be used to provide technical support to the industrial sector. The minister said the government has prepared programs to address all obstacles facing industrial sector exports, especially the pharmaceutical sector, which has been suffering as other countries have adopted protectionist economic policies, and added that the garments sector is one of the key elements in the economy. (JT05.01)

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5.3 Jordan Signs $60 Million Loan Agreement with World Bank

Jordan and the World Bank (WB) on 30 December signed a $60 million soft loan agreement to fund the second phase of the Education Reform for the Knowledge Economy Program (Erfke II). The agreement was signed by Minister of Planning & International Cooperation Hassan and the Director of the MENA Department at the World Bank Larbi. ERfKE is a 10 year multi-donor sector program designed to deliver on the 2002 Vision Forum for the Future of Education in Jordan and is aimed to assist the government in providing students enrolled in pre-tertiary education institutions with increased levels of skills to participate in the knowledge economy. Minister Hassan said the WB support has enabled the government to maintain the momentum of the development process and forge ahead with the reform agenda. ERfKE is a $410 million project, supported by the government, the Canadian International Development Agency (CIDA), Japan International Cooperation Agency (JICA) and the World Bank $60 million loan. (Petra30.12)

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5.4 Kuwait Parliament Approves $23.4 Billion Debt Bailout

Kuwait's parliament gave initial approval for a massive bailout of indebted citizens worth up to $23.4 billion, which the government opposes as too costly. Finance Minister Shamali, speaking in parliament, rejected the proposal, saying the government would have to use up 33.5% of total deposits, or KD2.9 billion to fund the plan. The initiative is the latest in a series of confrontations between the assembly and the government. Kuwait's government wrote off all consumer loans after the 1991 Gulf War that ended Iraq's occupation of the small Gulf state but since then has sought to reduce welfare spending. However, in 2008 it caved in to parliament's pressure and increased a state fund aimed at helping citizens to repay consumer loans to $1.9 billion. The debt bill, which has yet to go through final reading and needs approval from the cabinet and Kuwait's ruler, calls on the government to buy up the citizens loans including interest to the banks. Deputies have a history of challenging the government, unusual in a region of autocratic rulers and Kuwait's parliament has triggered numerous cabinet resignations or reshuffles. Earlier this month, Kuwait's interior minister survived a non-confidence vote in the assembly. (TA24.12)

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5.5 KGOC to Spend $1.1 Billion on Oil & Gas Projects

Kuwait Gulf Oil Company (KGOC) plans to spend about $1.14 billion on oil and gas projects in 2010, its managing director al-Khashti said in published remarks on 30 December. The budget allocated for capital and operational projects is to be spent over the span of the five-year plan 2009-2013. In May, Khashti told Reuters that the firm plans to invest around $11 billion in the next 20 years to boost oil output capacity to 900,000 barrels per day from a divided zone that Kuwait shares with Saudi Arabia. KGOC along with Kuwait Oil Company (KOC), Kuwait Foreign Petroleum Exploration Co and Oil Development Company will be merged into the 'upstream sector' as part of the 2020 strategy, Khashti was quoted as saying. He did not elaborate. Kuwait aims to reach an oil production capacity of 4 million barrels per day (bpd) in 2020 and sustain it until 2030. Kuwait is the world's fourth-largest oil exporter. (TA30.12)

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5.6 Qatar Economy Grows Nominal 11% From Second to Third Quarter

Qatar announced that its nominal GDP rose by 11% in Q3/09 compared with Q2/09, according to preliminary statistical estimates. Qatar, the world's largest natural gas exporter, saw growth slump 28.3% in nominal terms from a year ago with GDP reaching $20.75b in current prices. Higher crude prices also helped in the third quarter, boosting the oil sector contribution. The key gas sector was up 17.3% over the prior quarter while the oil segment rose 14.7%. Qatar is expected to keep outperforming key players in the world's top oil producing region - Saudi Arabia and the United Arab Emirates - in the coming years thanks to massive expansion of its gas facilities. Qatar's four new liquefied natural gas (LNG) plants will double the capacity of the country, which is the world's richest nation in per capita income, by the end of this year. (AB22.12)

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5.7 Korean Consortium Wins $40 Billion UAE Nuclear Contract

On 27 December, it was announced that a South Korean consortium has won a $40 billion contract to build several nuclear reactors for the United Arab Emirates. The award is the largest-ever energy contract in the Middle East and one of the world's biggest nuclear power plant contracts. A consortium including Korea Electric Power Corporation (Kepco), Hyundai Engineering and Construction, Samsung C&T Corp and Doosan Heavy Industries won the contract. South Korea's President Myung-bak signed the deal with UAE President Sheikh Khalifa bin Zayed al-Nahayan. Work on the first nuclear plant in the UAE was expected to begin in 2012. The UAE is the world's third-largest oil exporter and is looking to nuclear power to meet rapidly rising electricity consumption. Petrodollar-fuelled economic growth has left the Gulf Arab state struggling to meet domestic power demand. The UAE plans to build three or four nuclear reactors to meet an expected need for an additional 40,000 megawatts of power. (TA27.12)

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5.8 UAE Establishes Emirates Nuclear Energy Corporation

On 23 December, the United Arab Emirates set up a body to run its burgeoning nuclear program to produce electricity, which is expected to award the region's largest-ever energy deals soon. A decree by President Sheikh Khalifa bin Zayed al-Nahayan established the Emirates Nuclear Energy Corporation (ENEC). The multibillion dollar contract is expected to be the largest ever energy contract awarded in the Middle East. The UAE is the world's third-largest oil exporter, but it is planning to build a number of nuclear reactors to meet an expected need for an additional 40,000 megawatts of power. Bidders include a consortium of General Electric Co and Westinghouse Electric, a subsidiary of Toshiba Corp. Also bidding is a consortium comprised of Korea Electric Power Corp, Hyundai Engineering and Construction and Samsung C&T corporation. A French consortium led by EDF and GDF Suez, and including Areva and oil group Total, is also bidding for the contract. ENEC would also serve as the investment arm of the Government of Abu Dhabi, making strategic investments in the nuclear sector, both domestically and internationally. ENEC will be regulated by the Federal Authority for Nuclear Regulation (FANR), an independent safety regulatory body responsible for the oversight of the peaceful nuclear energy sector within the state and the enforcement of nuclear safety and radiological protection standards. FANR will also be responsible for the licensing of operators in the nuclear sector and the monitoring of radiological materials. The US formally signed a civilian nuclear cooperation deal with the UAE last week, saying it could help prevent the spread of dangerous atomic technology. (BI-ME 24.12)

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5.9 UAE - China Trade Drops By Some 30% in 2009

Trade between the UAE and China has dropped by nearly 30% this year and UAE imports to China have slumped by over half, according to figures released by the Commercial Office of Chinese Consulate in Dubai. The data shows that the total volume of trade between China and the UAE for the first nine months of this year was $14.99bn, with exports to the UAE amounting to $13.29bn and imports into China amounting to $1.7bn. Last year, total trade volumes stood at $28.16bn, out of which $23.55bn was exports to the UAE and $4.61bn represented imports to China. The two figures cover different lengths of time but when adjusted accordingly it can be seen that trade between the two countries has dropped by roughly 29% - trade from China to the UAE is down by a quarter and imports from the UAE to China have slumped by over a half. The bulk of products imported from China are household and domestic appliances, cookware and kitchenware, tire and rubber products, shoes, hardware, machinery and machine tool and building materials. Last year China was the UAE's largest import partner, representing 13.2% of total import trade. While trade with China this year has declined, the UAE is still the central country in the GCC for Chinese companies. The UAE currently has the highest number of Chinese companies in the GCC, being home to 2,000 Chinese companies compared with just 20 in Saudi Arabia. (AB22.12)

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5.10 Oman's 2010 Growth Seen at 6.1%

On 2 January, Oman's Minister of Finance forecast a GDP in real terms for 2010 at 6.1% and inflation at 3.5%, without giving comparative figures for the previous year. Ahmad Mekki, who is also the minister of national economy, said that Oman's total debt as of the end of 2009 stood at $1.88 billion, with domestic debt accounting for OR252 million of the total figure. He also said there were no plans to ditch Oman's currency peg to the dollar or to join the Gulf Co-Operation Council Monetary Union at any point in the future. On December 13 Mekki said he expected the country's economy to have grown by 1-2% in 2009, hit by lower oil prices in the second quarter. The global economic crisis slashed income for Gulf Arab oil producing nations. Oman was less affected than fellow oil exporters in the region as it was not forced to cut output. The IMF sees GDP growth of 4.1% this year, well below 7.8% in 2008. (Reuters02.01)

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5.11 Saudi 2010 Budget Forecasts $18.7 Billion Deficit on Higher Public Spending

Saudi Arabia unveiled a budget for 2010 which forecasts a deficit of $18.7 billion for the second year in a row, but still boosted public spending. The new budget estimates spending at $144 billion, the highest projected expenditure ever, as allocations for development projects increased by almost $10 billion to $70 billion. The budget projects revenues at $125.3 billion. Saudi Finance Minister Ibrahim al-Assaf said the projected budget deficit will shrink if oil prices increase. The ministry also said actual spending in 2009 stood at $146.7 billion while actual revenues were $134.7 billion, about 16% higher than initial projections due to higher oil income. The ministry estimated the 2009 deficit at $12 billion, lower than the projected deficit of $17.3 billion again due to a higher than expected oil price. This is the first actual budget deficit for the OPEC kingpin since 2002. In intervening years the kingdom has amassed huge surpluses on the back of high oil prices. Actual spending for the current year was the highest ever and exceeded the $127 billion initially projected. The ministry said that the increase in spending came due to higher payments for expansion projects at the Grand Mosque in Mecca, military and security projects, and pay increases for some government employees. The government awarded 2,350 contracts in the course of the current fiscal year at a cost of $37 billion. In next year's budget, the government allocated $36.5 billion to education to build hundreds of new schools and $16 billion to the health sector to build dozens of new hospitals. Actual revenues for 2009 topped the projected income of $109 billion as oil prices recovered from around $40 a barrel to more than $70. Nominal GDP shrank 21% in 2009 to $375 billion from $475 billion a year ago, the finance ministry said. (BI-ME 22.12)

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5.12 Saudi Allocates $12.3 Billion for Health Projects

Saudi government has allocated $12.3 billion to boost the Kingdom's healthcare system through key projects including construction of new hospitals in the 2010 budget. The move is line with the Kingdom's plans for modernization and expansion of the healthcare system. The government has allocated funds for the construction of 92 new hospitals, with a capacity of 17,150 beds, along with a number of primary health care facilities. In addition, the government has budgeted for the establishment of a number of sports clubs and sports cities to promote healthy lifestyles. Social services will include the building of social centers and social welfare and labor offices. In addition, funds will further support poverty reduction programs, the council said. (TA26.12)

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5.13 Egypt & Russia to Negotiate FTA in Early 2010

Egypt and Russia are looking to establish a free trade agreement (FTA) and may cooperate on the construction to

Egypt's first nuclear power plant. They also discussed ways to increase Russian wheat imports to Egypt. Egypt's Minister of Trade & Industry Rachid and his Russian counterpart Khristenko said on 23 December that negotiations on the bilateral FTA will start in Q1/10. The two sides, which are also looking to double the volume of trade, signed a memorandum of understanding for the FTA in 2007, but negotiations were delayed due to Russia's entry into an agreement with Kazakhstan and Belarus. Because Russian-Egyptian economic cooperation and investment has received headlines in the past, the latest announcements may evoke a sense of déjà vu, but the economic crisis had delayed the actual establishment of the Russian Industrial Zone and proposed FTA. The zone will be constructed in a million square meters of Burj El- Arab, an industrial city 30 km southwest of Alexandria. Egypt looked to increase imports of Russian wheat, heavy machinery and nuclear expertise. Rachid pointed out that the Russian-Egyptian trade relationship was one of those least affected by the economic crisis. Trade volume with Russia jumped from $800,000 million in 2004 to over $2 billion by 2007. Rachid expressed confidence that trade would reach the targeted level of $4 billion over the coming years. Russian investment in Egypt topped $727 million last April, and Russia hopes particularly to focus on automotive, aircraft and heavy machinery manufacture. Bilateral trade between the two countries reached $2.07 billion in 2008, with Egyptian exports to Russia reaching $191.6 million and imports from Russia reaching $1.88 billion. From January to May 2009, bilateral trade reached $793.6 million with Egyptian exports to Russia dropping. (DNE23.12)

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5.14 Egypt Eyes U.S. Missiles & Equipment

The U.S. Defense Security Cooperation Agency is considering a series of foreign military sales to Egypt, including the transfer of anti-tank missiles. The government of Egypt has also requested anti-ship missiles, engine upgrades for its fleet of F-16 jet fighters and Fast Missile Crafts worth an estimated $1.18 billion. Among Egypt's requests: 450 AGM-114K3A Hellfire II air-to-surface anti-armor missiles, along with associated parts, equipment training and logistical support. This package alone is estimated at $51 million. Experts say Egypt requires the particular missiles to defend its own borders and to remain militarily viable in the contentious region. Still, the experts maintain, the purchase will not adversely affect the military balance in the region. Egypt also wants to procure 20 RGM-84L/3 Harpoon Block III anti-ship cruise missiles, 4 Harpoon shipboard command launch control systems, including all consoles, software and shipboard canister launcher units. The potential sale would also feature support equipment, personnel training and training equipment - all estimated at $145 million. Should the deal go through, the principle contractor will be U.S-based Boeing company. Another export opportunity includes Egypt's request for upgraded F-110-GE-100 engines that power its fleet of F-16 jet fighters. The proposed upgrades will be spread out over six or seven years, in increments of approximately 24 upgraded engines per year. This contract would amount to a value of approximately $750 million and would be carried out by General Electric Aviation. The proposed sales, however, have triggered sharp criticism by Middle East experts who fear the fresh dispatch of arms to Egypt could end up in hostile hands. (UPI23.12)

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5.15 Morocco Trims Q3 Growth Estimate

Morocco's economy grew 5.6% in Q3/09 as it reaped the benefits of surging farm incomes and industry began recovering from the global economic downturn. The figure was below an estimate of 6.1% published in November. Non-farm growth was 2.6%, according to the state High Planning Commission (HCP), lower than the previous estimate of 3.1%. The HCP did not give a reason for the lowered figures. The Moroccan economy grew 5.4% in Q2/09 and 5.7% in the third quarter of 2008. The government has forecast gross domestic product (GDP) growth of 5.3% this year when a record grain harvest boosted farm incomes and domestic consumption. For 2010 it sees growth of 3.5%. Moroccan export industries such as phosphates, textiles and auto-parts were hit by tumbling demand this year but the state has stepped up public investment to bolster domestic demand and Moroccan banks have avoided the worst of the financial crisis. Non-farm growth is watched closely by economists as evidence of the government's success in reducing the economy's reliance on agriculture, boosting job creation and reducing poverty in Morocco's teeming northern cities. The record grain harvest boosted agricultural GDP by 26% in the third quarter, up from 16.1% in the same period a year earlier. (AB31.12)

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6: TURKISH, CYPRIOT, GREEK & BULGARIAN DEVELOPMENTS

6.1 'New Turkish Lira' Withdrawn From Circulation

The now old New Turkish Lira, or YTL, banknotes are being withdrawn from circulation starting New Year's Day and will be fully replaced by Turkish Liras, or TL, over the course of 2010. Turkey switched to the YTL on Jan. 1, 2005 as part of a drive to reduce inflation. The currency dropped six zeros from its banknotes at the time. The Central Bank put the TL into circulation at the beginning of 2009 to replace the YTL. 2009 was the transition year for the two currencies during which the YTL and TL were in circulation together. YTL banknotes will be redeemable at Central Bank branches for 10 years, but as of Jan. 1, 2020 the YTL banknotes will be null and void. (Anatolia 01.01)

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6.2 Turkish GDP Rises 2.3% in Third Quarter

Turkey's economy grew a seasonally adjusted 2.3% in the third quarter from the previous three months, the second consecutive increase, according to the Turkish Statistical Institute (TurkStat). On an annual basis, GDP contracted 3.6% in the third quarter when adjusted for the number of working days. It had reported an unadjusted 3.3% shrinkage on Dec. 10. It was the second time the Ankara-based office has released seasonally adjusted gross domestic product figures, which were prepared as part of a program to harmonize Turkish data with the European Union. The economy grew 7.1% in the second quarter from the previous three months, the agency said on Sept. 30. (Bloomberg31.12)

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6.3 Turkey Raises Several Taxes To Boost State Revenues

On 1 January, Turkey increased taxes on cars, cigarettes, gasoline and alcoholic drinks as the government seeks cash to reduce the 2010 budget deficit. The fixed tax charged on a packet of cigarettes rose by 29% to 2.65 liras ($1.80), on gasoline by 12% to 1.89 liras per liter, while charges on diesel, beer, spirits and other products were also raised, according to the Official Gazette. The tax on car sales will increase 3.3%. The Finance Ministry expects revenue of between 5 billion liras and 5.5 billion liras from the new taxes. The government is aiming for a gap of about 50 billion liras, and plans to reduce the budget deficit before interest payments to 0.3% of economic output next year, from a forecast 2.1% in 2009. The IMF, which has been in talks with Turkey on new loans since a previous accord expired in May last year, has pressed for reductions in the budget deficit. (Bloomberg02.01)

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6.4 Turkey's IMF Debt to Terminate in 2013

Turkey will pay the IMF its entire debt, which is worth approximately $8 billion, by the end of 2013, according to the repayment schedule. Turkey, which has signed 19 stand-by deals with the IMF to date, has only been able to successfully complete the two most recent deals. What draws attention in the last two stand-by deals is that they did not take place on the grounds of any economic crises. This year, the country has not made any repayment within the framework of the repayment deal previously signed with the IMF. Turkey signed its first stand-by deal with the IMF on Jan. 1, 1961 and terminated it at the end of the same year. The launch of Turkey's relations with the European Union overlapped the start of stand-by deals with the IMF, and the country entered its second arrangement in March 1962. Turkey then signed stand-by deals with the IMF every year between 1961 and 1970 with most of them ending before one year.

Turkey was not involved in a stand-by deal between 1970 and 1978, but the following two years were also marked with annual agreements. Turkey was involved in its longest stand-by deal from June 1980 until June 1983, and no stand-by deal was in force between 1984 and 1994. A deal was implemented from July 1994 until September 1995, and then the country was not involved in another a stand-by agreement until 1999. It undertook its 17th deal from 1999 to 2002. Turkey launched its 18th stand-by arrangement in February 2002 and signed its 19th deal in January 2005 before the previous one terminated.

During 47 years of agreements with the IMF, Turkey generally introduced arrangements out of necessity following crises and obtained a supply worth over $50 billion from the IMF in total. Turkey is predicted to service a debt worth TL 200.3 billion in 2010, including TL 149.6 billion in capital and TL 50.7 billion in interest. Out of the debt servicing, TL 182.6 billion will go to internal debts while TL 17.7 billion will be external debt servicing. (Anatolia30.12)

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6.5 Inflation Picks Up Pace as Turkish Recovery Gets Under Way

Turkey's inflation grew in December for consumers and producers as improvements in the economy near the end of the year pushed prices upwards after inflation hit record lows in 2009. According to data released on 4 January by the

Turkish Statistics Institute (TurkStat), the consumer price index (CPI) increased by 6.53% in December compared to the same period last year and 0.53% compared to November. The index was 5.53% in November, rising from 5.08% in October. The CPI stayed within the 7.5 +/- 2% target of the central bank, indicating that the bank was successful in achieving its inflation target in the turbulent 2009. The greatest annual increase in the CPI was experienced in alcoholic beverages and tobacco, miscellaneous goods and services, and food and non-alcoholic beverages with a 20.91%, 13.75% and 9.26% annual increase in prices, respectively. When excluding energy, usually the target for a government looking to raise revenues, the CPI increased by 6.86%, greater than the aggregate rate of 6.53%, signaling that the energy prices consumers face have fallen slightly in the past year. Excluding the items that put the biggest pressure on inflation (unprocessed food products, energy, alcoholic beverages, tobacco products and gold - which hit record levels in December) the CPI increased by only 3.18%, less than half of the aggregate value. (Zaman 05.01)

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6.6 Turkey's Annual Exports Reach $97.7 Billion

Turkey's annual exports reached $97.07 billion in 2009, according to data released Monday by the Turkish Exporters' Assembly, or TIM. Turkish exports increased by 32.3% in December 2009 and amounted to $9.5 billion. Exports in industry, which constituted 81.4% of the country's total exports in December, rose 32% to reach $7.7 billion. Exports in mining, which constituted 3.2% of December's total exports, increased 97.5% to reach $305 million. Meanwhile, Trade Minister Caglayan said he expected the official year-end export figure for 2009 to be $101.6 billion. That figure stands 23% below that of 2008. December imports were probably about $138 billion, he said. The state statistics agency will announce official figures for December exports on 29 January. Germany was at the top of the annual exports list, followed by Britain, Italy, France, Iraq, Russia, Spain, the United States, Iran and the UAE. (Anatolia 04.01)

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6.7 Cyprus to Create Savings & Generate Revenue

On 30 December, Cyprus unveiled a fiscal package aimed at generating savings and additional revenue of €500 million annually to plug deficits seen busting eurozone limits in 2010 and 2011. Finance Minister Stavrakis said the package was primarily designed to lower fiscal shortfalls and send a signal to financial markets that Cyprus - a rare issuer - was not lax on the fiscal front, a perception which could force it to pay a higher premium on debt. According to European Union projections, Cyprus will face a deficit of 5.7% of GDP in 2010 and a public debt of 58.6%. Standard and Poor's rates Cyprus A+. Fitch has a AA- rating on the Mediterranean state and Moody's rates Cyprus Aa3. The island tapped international markets for €1.5 billion last May. Stavrakis' package contains no new taxes but will introduce higher tax on property other than a home by adjusting valuations on real estate unchanged for 30 years. Authorities will also pursue cutbacks in benefits and stamp out tax evasion. (Various31.12)

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6.8 Greece Puts Final Touches To Growth Plan

On 4 January, Greece's Finance Ministry submitted to the European Commission a draft copy of the Growth and Stability Plan which it hopes will help convince investors and officials in Brussels that it can successfully overcome its growing fiscal problems. News that Greece's budget deficit in 2009 will reach 12.7% of GDP, some four times higher than January estimates, along with figures showing public debt reaching €300 billion have fueled concerns over whether Greece will be the first eurozone member to go bankrupt. European Union and European Central Bank (ECB) officials are expected to visit Athens on 6 January to look over details of the growth program with the Greek Finance Ministry and change any details they disagree with. Finance Minister Papaconstantinou has said Greece will reduce the deficit to 8.7% of GDP this year but senior government sources have clarified that the targeted deficit cut could be steeper in the final version of the growth plan. The government will face its first test in capital markets for 2010 in the first half of January. Greece will need to sell almost €5 billion of bonds to refinance expiring treasury bills in an auction that will indicate investor sentiment toward Greek state debt after recent downgrades to the country's sovereign ratings by all three major agencies. On the growth front, the government expects the economy to start expanding in 2011 after two consecutive years of recession. The Greek economy, worth about €250 billion, is tipped by the stability pact to shrink by 0.3% year-on-year in 2010. News on the labor front remained gloomy with jobless figures expected to rise to over 11% in 2011 from 10.5% this year. (Ekathmerini02.01)

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6.9 Bulgaria Plans to Cut VAT To 17% In 2011

Bulgarian Prime Minister Borisov has announced that Value-Added Tax (VAT), which currently stands at 20%, could be cut to 17% in 2011. Speaking at an American Chamber of Commerce in Bulgaria lunch, he outlined the country's plans for accession to the eurozone by 2013 and the efforts that the state is making to achieve this key goal. He pointed out that Bulgaria is the only country, whose outlook was lifted to stable from negative by Standard & Poor's Ratings Services due to its strong track record of prudent fiscal policy and low gross debt. Bulgaria has the lowest personal and corporate income tax in the EU at 10%, which was introduced at the beginning of 2008, replacing the previous system, which combined several different tax rates - between 20 and 24%, depending on income. After coming into office, the new Bulgarian government announced it plans to keep unchanged the flat income tax rate and cut the Value-Added Tax (VAT) from the current 20% to 18% in 2010 and by a further 2% by the end of the term of office of Prime Minister Borissov's administration. The country will apply in March next year to join the exchange-rate mechanism, the two-year currency stability test prior to euro adoption, and seek to switch to the common currency by 2013. Joining the exchange-rate mechanism would bring Bulgaria closer to the umbrella of the euro region and the protection of the European Central Bank and is conditional on whether the new government will succeed to restore Brussels trust. The lev is already linked to the euro in a currency board that keeps the Bulgarian currency at 1.9558 to the euro. Joining the exchange-rate mechanism may allow the lev to fluctuate by as much as 15 % around a central band, though the central bank has said it will leave the lev tightly pegged to the euro through the duration of the two years. (SMN23.12)

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6.10 Sofia Wants Gas Deal Apart From Pipelines

Bulgarian contracts for natural gas supplies from Russia should not be tied to deals with regional pipeline networks, the Bulgarian energy minister said. Bulgarian Economic & Energy Minister Traikov said it was critical for Sofia to sign natural gas agreements with Russia without binding the contract to the South Stream gas pipeline. He noted further that state-owned gas company Bulgaragaz and Gazprom should work toward establishing new contracts for natural gas after 2010. Russian gas monopoly Gazprom signed a series of South Stream initiatives with the Bulgarian, Greek and Serbian governments in May and has similar arrangements under way with Austria. A Slovenian deal was signed in November. Russia aims to diversify its transit options to Europe with South Stream. The project is designed to carry as much as 2.2 trillion cubic feet of natural gas each year through the Balkans and on to southern Europe. Gazprom expects South Stream completion by 2015. (UPI28.12)

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7: GENERAL NEWS AND INTEREST

*ISRAEL:

7.1 Israel's Population Surpasses 7.5 Million

The Central Bureau of Statistics announced on 30 December that Israel's population at the end of 2009 stood at 7,509,000. Israel's population has continued to grow at a steady rate of 1.8% over the past seven years, with 160,000 new babies born since last 1 January and some 14,500 new immigrants arriving over the past year. There were also 39,000 deaths. Accordingly, 75.4% of the population is Jewish (5,664,000 people), 20.3% is classified as Arab (1,526,000) and 4.3% as "other" (319,000), either non-Arab Christians or those without a religious designation, as defined by the Ministry of the Interior. Nearly 30% of Israel's population under the age of 14, compared to 17% in most other Western countries. Only 9.7% of the population is over the age of 65 in Israel, whereas in other Western countries this figure is closer to roughly 15%. The average Jewish family size increased since 2008 from 2.8 children per household to 2.96. In Muslim households, the average number of children per mother was 3.84, a drop from the previous two years where it had reached 3.97 children per household. Among Christian families the average number of children was down to 2.11 in 2008. The number of women in Israel is still slightly above the number of men, with 979 men for every 1000 women. In the under-37 age bracket there are more men than women, but the imbalance in the over-75 age group offsets this with some 673 men for every 1000 women.

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*REGIONAL:

7.2 'Burj Khalifa' is Unveiled to the World and its Official Height is 828 Meters

On 4 January the world's tallest building was unveiled to an estimated crowd of over 400,000 and the world, in a crescendo of fireworks, lasers and fountain displays. The official height of the tower, unveiled as 'Burj Khalifa', was announced as 828 meters (2,716.5 ft). 'Burj Khalifa', developed by Emaar Properties, is the world's tallest building according to the three criteria of the Council on Tall Buildings and Urban Habitat: 'Height to Architectural Top', 'Height To Highest Occupied Floor', and 'Height To Tip'. The tower is 320 meters taller than Taiwan's Taipei 101, which had held the title of world's tallest building since 2004, the year when the project was announced. 'Burj Khalifa' comprises luxury residences and offices, the world's first Armani Hotel, and the world's highest observation deck, 'At the Top', which is located on the tower's 124th floor. Around 90% of the tower's offices and apartments have been sold. The handover of offices and apartments starts in February and the Armani Hotel Dubai will be opened by its designer, Giorgio Armani, on March 18. More than 60 leading consultants including South Korea's Samsung Corporation and New York-based Turner Construction International realized the design for Burj Khalifa by Chicago-based Skidmore, Owings and Merrill (SOM). (EMAAR04.01)

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8: ISRAEL LIFE SCIENCE NEWS

8.1 Compugen Announces "Discovery on Demand” Therapeutic Peptide Collaboration with Pfizer

Compugen signed a collaboration agreement with Pfizer for the predictive discovery by Compugen of therapeutic peptide product candidates for three drug targets of interest to Pfizer. The discovery process, which will be based on various Compugen discovery platforms and funded by Pfizer, is expected to take a few months, following which the predicted molecules will be synthesized and delivered to Pfizer. Following an evaluation period, Pfizer will have the right to exercise options for worldwide exclusive milestone and royalty bearing licenses to develop and commercialize the selected product candidates or further optimize them to obtain final potent, selective product candidates with favorable pharmacokinetic properties. During the past few years, Compugen has designed, developed, validated and disclosed ten product candidate discovery platforms directed at various important areas of drug and diagnostic discovery. Most of Compugen's ten discovery platforms developed to date are based on a process of in silico prediction and selection, followed by synthesis and experimental validation. The initial in silico predictions usually involve a large number – often in the thousands or more - of possible candidates, with the selection step resulting in a very small subset – usually dozens of molecules or less - which are predicted to have the highest probability of success. These molecules are then prioritized, synthesized and experimentally validated.

Tel Aviv's Compugen (http://www.cgen.com) is a leading drug and diagnostic product candidate discovery company. Unlike traditional high throughput trial and error experimental based discovery, Compugen's discovery efforts are based on in silico (by computer) prediction and selection utilizing a growing number of field focused proprietary discovery platforms accurately modeling biological processes at the molecular level. The resulting product candidates are then validated through in vitro and in vivo experimental studies and out-licensed for further development and commercialization under various forms of revenue sharing agreements. (Compugen 23.12)

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8.2 Teva-KOWA Pharma to Acquire a Majority Share Interest in Taisho Pharmaceutical Industries

Teva Pharmaceutical Industries announced that Teva-KOWA Pharma Co., the Company's joint venture in Japan with KOWA Company, signed a definitive agreement to acquire a majority of the outstanding shares of Taisho Pharmaceutical Industries. Under the terms of the agreement, Teva-KOWA Pharma will purchase at least 66.7% of Taisho's outstanding shares. The transaction is expected to close by the end of 2009. Financial terms were not disclosed. Taisho manufactures and markets a portfolio of over 200 generic products to pharmacies, clinics, hospitals and wholesalers, through a well-established sales and marketing force. These efforts are supported by a finished dosage manufacturing facility and R&D capabilities. Taisho is a privately held company with revenues of over $130 million. This acquisition will further advance Teva-KOWA Pharma in its strategic objective to become the provider of choice of high-quality affordable generic medicine in the Japanese market, supporting the Japanese government's initiative to increase the use of generic pharmaceuticals. Teva-KOWA Pharma will leverage Taisho's commercial presence in the Japanese generics market and its expertise in developing, registering, manufacturing and marketing generics in Japan.

Teva Pharmaceutical Industries (http://ww.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 as well as active pharmaceutical ingredients. (Teva 24.12)

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8.3 Compugen Discovers Drug Target for Treatment of Epithelial Tumors

Compugen announced the discovery and experimental validation of CGEN-671, a new drug target for multiple epithelial tumors. CGEN-671 is a membrane splice variant of CD55, a known drug target for gastric cancer for which monoclonal antibody (mAb) therapeutics are in clinical development by others. The potential application of CGEN-671 as a drug target was initially predicted in silico by Compugen through the use of its Monoclonal Antibody Targets Discovery Platform; the predicted molecule was then validated experimentally in multiple epithelial tumors. Epithelial tumors, also referred to as carcinomas, account for approximately 85% of all cancers, including the ten most prevalent cancers in the western world, such as breast, colorectal, lung, ovary, prostate and skin. Compugen has filed patent applications covering this novel splice variant and its various therapeutic and diagnostic utilities.

Initial experimental studies confirmed the existence of the predicted CGEN-671 transcript (mRNA) and demonstrated that, compared with normal tissue samples, it is highly expressed in colon carcinoma tissue. Furthermore, in these mRNA experiments, CGEN-671's expression level in various healthy tissues was up to 200 times lower than the expression level of the previously known cancer target CD55, suggesting that the Compugen discovered splice variant should be a superior drug target candidate for cancer treatment. In addition, the in silico prediction of CGEN-671 identified a unique sequence present in CGEN-671's extracellular domain that is not present in CD55. This sequence allows for the development of antibodies that specifically bind to CGEN-671 and do not recognize CD55.

Tel Aviv's Compugen (http://www.cgen.com) is a leading drug and diagnostic product candidate discovery company. Unlike traditional high throughput trial and error experimental based discovery, Compugen's discovery efforts are based on in silico (by computer) prediction and selection utilizing a growing number of field focused proprietary discovery platforms accurately modeling biological processes at the molecular level. Compugen's growing number of collaborations with major pharmaceutical and diagnostic companies cover both (i) the licensing of product candidates discovered by Compugen during the validation of its discovery platforms and in its internal research, and (ii) "discovery on demand” agreements where existing or new Compugen discovery platforms are utilized to predict and select product candidates as required by a partner. (Compugen28.12)

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8.4 Three New Varieties of Tomato to Debut in Israel

A green-skinned, red-fleshed tangy-flavored tomato is one of three new varieties expected to make its debut in January at Israel's largest agricultural exhibition. All three of the new varieties of tomatoes were developed by the Eden Seed Company (http://www.edenseeds.co.il) of Moshav Hatzav. They are designed for export, as are most of Israel's tomatoes, although they are also marketed locally. The slightly sour Pinton tomato, green on the outside and red on the inside, is highly prized by cooks in France, Spain and Italy. Spanish chefs especially appreciate the visual appeal of the tomato in salads with lettuce, tuna and asparagus. The Winter Bricks cherry tomato (1-1.5 cm long) is being sold primarily in commercial markets in Spain as a specialty vegetable for use in sauces and other recipes. The third and perhaps biggest attraction is a Spreading Tomato, one with flesh that is a bit dry, enabling it to be spread on to bread or to be used in other ways. This one is also aimed at the Spanish market, where consumers commonly enjoy bread with tomatoes and olive oil.

Tomatoes are a major source of lycopene, a bright red carotene pigment and phytochemical with antioxidant properties. In recent years, research has pointed to lycopene as a possible protection against some forms of cancer, particularly prostate cancer. Nutritionists recommend eating at least one serving of fresh or cooked tomatoes daily. The Israel Agricultural Association exhibition, which will feature new varieties of tomatoes, eggplants, peppers, spices and other produce, will be held in Tel Aviv on 13 – 14 January. Entrepreneurs will be on hand to discuss the latest developments in the field of agriculture, development of new pesticides, tractors and other agricultural vehicles, computerized agricultural management, transportation and fertilizers. (IsraelNN29.12)

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8.5 Bar Ilan University to Open New Medical School

The professional committee for setting up Israel's fifth medical school picked Bar Ilan University to set up the new medical school in the Galilee. The Council for Higher Education in Israel appointed the committee in December 2007. In June 2009, the committee began reviewing the proposals by Bar Ilan University and a joint proposal by the University of Haifa and Technion Israel Institute of Technology (which already has a medical school). Bar Ilan University has been trying to get a medical school since the 1970s. The new medical school will be set up in Tzfat. It will offer three programs: an abbreviated four-year curriculum; a regular six-year curriculum; and a combined MD/Ph.D. program. The medical school will anchor a new a university campus to be founded in the Galilee. Israel's four current medical schools are at the Technion, Hebrew University in Jerusalem, Tel Aviv University and Ben Gurion University of the Negev. The Council for Higher Education plenum still has to approve the decision. The decision to establish a fifth medical school was taken five years ago, after a number of committees warned of an expected shortage of doctors in Israel. For example, in October 2002, the Pazi committee said that the number of medical students should be doubled from 2010 in order to avoid a decline in the number of doctors beginning in 2017. In June 2007, the Halevy committee expected a shortage of doctors beginning in 2015. (Globes 28.12)

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8.6 D-Pharm Announces Enrollment of First Patient in DP-b99 Phase III Efficacy Study, MACSI

D-Pharm announced enrollment of patients with acute ischemic stroke into its Phase III clinical study of DP-b99 (MACSI). The first patient has been enrolled at the Wolfson Medical Center, Israel. The MACSI trial involves numerous medical centers in the US, Canada, Europe, Israel, South Africa, South Korea and Brazil. DP-b99 is D-Pharm's most advanced product developed for protection of brain cells suffering from restricted blood and oxygen supply (ischemia). The MACSI study is as international, multicenter, randomized, double-blind, placebo-controlled Phase III clinical trial. The trial will compare the stroke outcome in a group of patients treated with placebo (an inactive substance) to patients treated with 1 mg/kg/day of DP-b99 for 4 consecutive days. The study is expected to enroll, in total, 770 patients at 120 - 140 clinical sites worldwide. Recently D-Pharm met with the FDA to discuss the Special Protocol Assessment (SPA) and will continue the dialog with the FDA towards the final agreement.

Rehovot's D-Pharm (http://www.dpharm.com) is a clinical stage, biopharmaceutical company pioneering the development of lipid-like therapeutics and has generated a rich pipeline of patent protected proprietary products. D-Pharm's pipeline includes advanced clinical stage products DP-b99 for treatment of acute ischemic stroke patients and DP-VPA, a novel drug for treatment of epilepsy, bipolar disorder and prophylaxis of migraine. DP-460 is in preclinical development intended as an oral, disease-modifying therapy for Alzheimer's disease. Other mimics of bioactive lipids, LipidoMimetix, are at an earlier developmental stage, for cancer. (D-Pharm 31.12)

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9: ISRAEL PRODUCT & TECHNOLOGY NEWS

9.1 VocalTec Class-5 VoIP Solution now available on Amazon Elastic Compute Cloud (EC2)

VocalTec Communications announced the availability of its Essentra BAX, free-trial version, on the Amazon Elastic Compute Cloud (Amazon EC2) environment. Potential customers will now have the ability to use VocalTec's Class-5 VoIP Application Server, providing a comprehensive set of innovative residential and enterprise VoIP services. Essentra BAX offers a wide range of applications including hosted PBX, IP Centrex and Residential VoIP services, and boasts an extensive array of subscriber calling features, including cutting-edge IP features such as click-to-dial, attendant console, auto-attendant and others. Herzliya's VocalTec Communications (http://www.vocaltec.com) is a global provider of carrier-class multimedia and voice-over-IP solutions for communication service providers. A pioneer in VoIP technology since 1994, VocalTec provides proven trunking, peering and residential/enterprise VoIP application solutions that enable flexible deployment of next-generation networks (NGNs). Partnering with prominent system integrators and equipment manufacturers, VocalTec serves an installed base of dozens of leading carriers worldwide. (VocalTec 23.12)

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9.2 Plasan Awarded Additional Contract for M-ATV Armor Kits

Plasan has won an additional contract for the delivery of 400 M-ATV armor kits as sub-contractor to Oshkosh Defense. Plasan has already delivered 3,200 M-ATV armor kits for the $3.3 billion contract awarded by U.S. Department of Defense to a team led by Wisconsin-based Oshkosh Corporation and Plasan North America to produce 6,619 M-ATVs for deployment in Afghanistan. Plasan North America and its local sub-contractors have made advance preparations to comply with strict composite specifications and a tight manufacturing schedule. Through the application of the modular Kitted Hull concept, developed by Plasan, all armor parts and components are sent to Oshkosh where they are applied to the vehicle on the assembly line, increasing manufacturing efficiency and reliability. Plasan's production capabilities are complemented by a comprehensive supply chain that encompasses suppliers of materials, equipment and solutions throughout the U.S. This extensive network provides the flexibility to expand or reduce production volumes according to demand.

Kibbutz Sasa's Plasan (http://www.plasansasa.com) provides customized survivability solutions for tactical wheeled vehicles, aircraft, naval platforms, civilian armored vehicles and personal protection. A recognized global leader and industry veteran, Plasan's survivability solutions offer the optimal combination of protection, payload, and cost by combining in-house R&D, design, prototyping and manufacturing capabilities. Plasan combines innovative survivability engineering and design with advanced armor materials development. Its unique development process is based on continuous interaction between the R&D and the Design & Prototyping departments. During this process, Plasan combines computer-generated analysis and simulations with real-time calibration and ballistic test data. The effective combination of test and simulation data enables improved simulation accuracy and performance, resulting in the optimal survivability solution. (Plasan23.12)

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9.3 BroadLight & Ralink Break-Through Wireless Performance in Residential Gateway

BroadLight announced the successful integration of BroadLight's leading BL2348 GPON Residential gateway device and Ralink's RT3062 300 Mbps 802.11n Wi-Fi solution. The integrated reference design provides a high-performance, cost optimized Residential Gateway solution that enables next generation "triple play” voice, video, and data services to the home over a combined GPON plus Wi-Fi network. Ralink has recently joint BroadLight's Synergy+ partners program which establishes strategic alliances with industry leaders that deliver best-in-class solutions complementing BroadLight's product offerings. As a strategic partner, Ralink's customers can enjoy the fast time-to-market and best-in-class performance of the Ralink device software driver integrated with BroadLight's GPON residential gateway Wi-Fi acceleration engine. Ramat Gan's BroadLight (http://www.broadlight.com) is a fabless semiconductor company supplying semiconductor devices and solutions to equipment vendors for FTTH applications around the globe. Its technology spans from optical access to home networking which enables the delivery of highly integrated, low-cost, end-to-end (E2E) solutions from the central office to the customer premise. As a result, BroadLight is the leader in GPON semiconductor devices and software and is currently powering all of the world's largest PON deployments. Taiwan's Ralink Technology Corporation is a leading innovator and developer of wireless chipset solutions. (BroadLight28.12)

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10: ISRAEL ECONOMIC STATISTICS

10.1 Israel Economy Grows by 0.5% in 2009

Israel's GDP grew in 2009, contrary to the pundits pessimistic estimates, by 0.5%. The Central Bureau of Statistics preliminary estimates stand in stark contrast to an OECD average of negative 3.5%. Figures also show that Israel's GDP grew a surprisingly strong 3% in Q3/09, compared with 1.1% growth in Q2 and -3.2% in Q1. The Central Bureau of Statistics also reported that GDP growth per capita fell in 2009 by 1.3%. In OECD countries, per capita growth fell a sharper 4%. Unemployment was 7.7% in 2009, compared with an OECD average of 8.2%. Despite GDP growth, business product shrank 0.4%. (CBS31.12)

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10.2 Foreign Investment on TASE Grows Significantly

On 4 January the Bank of Israel announced that foreign investors purchased shares worth $560 million on the Tel Aviv Stock Exchange in November 2009, compared with $170 million in October - a rise of 230%. The Bank of Israel reported that most of the investments were in the communications, chemicals and pharmaceuticals sectors. Foreign investors also bought $140 million of shares of Israeli companies traded on overseas stock exchanges in November, compared with $80 million in October. Foreign investors also bought $430 million worth of TASE-listed government bonds in Tel Aviv in November 2009, compared with $400 million in October 2009. Most of the investments were in long-term Shahar unlinked government bonds, while at the same time foreign investors sold short-term deposits worth $170 million. The Bank of Israel also reported that foreign direct investment in Israel in November 2009 amounted to $580 million, mainly in high-tech and finance.

On the other hand, during November 2009 Israelis bought $590 million worth of share on overseas stock exchanges, compared with $330 million in October. Between January - November 2009, Israelis bought $5.2 billion of shares on overseas stock markets, 160% more than the $2 billion in all of 2008, and five times the $1 billion bought in 2007. Most of these investments were by institutional investors, mainly provident funds and insurance companies. (BoI04.01)

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10.3 Israel's 2009 Tax Revenues Exceed Finance Ministry Forecasts

On 28 December, the Ministry of Finance told the Knesset Finance Committee that tax revenues for 2009 were NIS 4 billion more than projected. State Revenue Administration director Yisraeli said the forecast was NIS 172.9 billion, but NIS 177 billion was received. Yisraeli added that about 50% of Israelis don't meet the income tax threshold. She also said that the companies tax rate has fallen over the past decade and that legislative amendments, such as the excise hike on gasoline and cigarettes, passed by the Knesset this year have had a positive effect on tax revenues. (Globes 28.12)

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10.4 Layoffs in Israel Decrease by 4% in December

Israel's National Insurance Institute announced in 4 January that the number of new claims for unemployment fell by 4% to 15,400 in December 2009 from 16,000 in November. The number of unemployment claims fell 2% to 86,000 from 89,500 over the same period. The National Insurance Institute added that the figures reflected the ongoing improvement in the job market during H2/09. Despite this, the number of unemployment claims in December was 10% higher than in 2008. (NII 04.01)

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10.5 Israel's Unemployment Rate Declines in November

The Israel National Employment Service (INES) announced on 28 December that the unemployment rate fell by 0.4% in November 2009 to 206,000, falling from 206,800 in October. This continues a trend that began in July. After the number of unemployed rose 25% from 168,900 in April 2008 to 211,200 in June 2009, the unemployment rate has been falling by a monthly average of 0.5%, from 211,200 in June to 206,000 in November, or a cumulative drop of 2.5%. The INES said 222,400 jobseekers applied during November, up from 221,600 jobseekers in October, an increase of 850 persons. Excluding seasonal factors and the holidays in October, the number of jobseekers fell by 1% to 221,500 in November, down from 233,700 in October. November also saw 14,236 persons losing their jobs, rising from 13,240 persons in October (original figures). Of these people, 49% were women and 51% were men. The largest single age group (5,475 people) was aged 25-34. (INES 28.12)

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10.6 Number of Israelis Taking GMATs Double in Decade

Globes reported that the number of Israelis taking the GMAT exam to study for an MBA at a business school in Israel or overseas rose by 124% between 1998 and 2008. According to the Graduate Management Admission Council (GMAC), 1,248 Israeli students took the GMAT in 1998 and 2,794 students took it in 2008. Israel has the highest number of GMAT takers per capita. Kidum GMAT attributes the jump in Israeli GMAT takers to the increase in the number students who want to obtain MBA degrees overseas and the number of Israeli universities which require the GMAT for their MBA programs. According to GMAC, 247,000 students took the GMAT in 2008, of which 48.9% were outside the US, mostly Asian students. Some 28,570 Indian students took the exam, 17,420 Chinese students and 7,591 South Koreans, as well as 7,332 Canadians. Israel is in seventh place, ahead of France and Germany. Israel's average score is below the global average: 510, compared with 535.2. (Globes 28.12)

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11: In Depth

11.1 GCC: Glaring Inaccuracies in Population Figures Skew Development Outlooks

Population estimates in the GCC that are used by local, regional and international organizations such as the United Nations (UN) and World Bank have been found to differ by as much as 25% or more from the best official or authoritative estimates, resulting in serious problems with completely distorted socioeconomic indicators, revealed a recent study conducted by Madar Research and marketing communications consultancy Orient Planet.

A population figure is important for a country in several ways as it is the basis for calculating numerous performance indicators, including per capita gross national product, tertiary enrolment ratio, technology adoption, or the number of physicians per 1,000 of population.

The study pointed out that some countries have more than one official population estimate, with significant differences between them, as in the case of the UAE, which has conflicting population figures that are used by the UN, the UAE Federal National Council (FNC), the UAE Ministry of Economy (MoE) and the UAE Ministry of Labor. One of the consequences of this situation is the inflated performance indicators of a country in certain statistical categories.

For instance, according to the International Telecommunications Union (ITU), the UAE had the highest mobile phone penetration rate in the world in 2007 at 176.52% ITU based the calculation of its indicator on a UAE population of 4.38

million (end of 2007). However, the most realistic estimate for end 2007 released by the FNC was about 6.5 million. Using the FNC's estimate, the UAE's mobile penetration rate would stand at 119.06% dropping its ranking from number one to 16th.

The indicator as calculated by the ITU is about 57% higher than the one calculated by the study, using best official estimates published by government sources. Recalculating the same ITU indicator for other GCC member states reveals differences as big as 56% in Qatar, 46% in Bahrain, 16% in Kuwait, 8% in Oman and -1.58%age points in Saudi Arabia. Except for Saudi Arabia, mobile penetration rates as calculated by ITU, which used old population figures or underestimates, have been greatly blown up, thus unintentionally – or carelessly – giving the world the wrong or unreliable information about the mobile phone scene in the GCC.

In another example of how the use of a wrong population figure can affect a country's world ranking, the International Monetary Fund (IMF) has listed Qatar as the country with the highest GDP (PPP) per capita in the world in 2008, calculated at $85,868. This was based on a population of 1.1 million. However, using the official population figure of 1.45 million released by Qatar Statistics Authority for mid 2008, Qatar's 2008 GDP (PPP) per capita becomes $65,092 or more than 24% lower than the IMF figure. Nonetheless, the correction would only bring down Qatar's global ranking by one notch, allowing Luxembourg to occupy the top spot.

Explaining the reason behind the inconsistencies, Abdul Kader Kamli, President & Research Director of Madar Research Group said: "Because of the extremely high percentage of expatriate workers arriving and leaving the GCC, population figures in some countries in the region have changed sharply from one year to the next, resulting in significant distortions in the annual performance indicators such as GDP and technology adoption rates. Compounding the problem is the presence of several versions of population figures and estimates from different branches of government.

The first step towards resolving this issue is to appoint independent government bodies that should have the sole responsibility of regularly updating and verifying all statistical information related to the country's population using best international practices and standards."

Nidal Abou Zaki, Managing Director, Orient Planet added: "If the credibility and reliability of performance indicators and other key statistical figures continue to be undermined, governments as well as business organizations operating in the region will certainly face major difficulties in making informed business and strategic decisions that affect the socioeconomic growth of the GCC. Knowledge is the key that will unlock the development potential of the region. Swift action must therefore be taken to ensure the integrity and uniformity of census results, population estimates and other relevant demographic data in the GCC."

A census, if carried out properly, is the most accurate figure for the population in a given year, while growth rate is added to provide a reasonable population estimate for successive years. Unless there is a dramatic change forced by war or natural disaster, a population figure usually follows a more or less steady growth pattern based on birth rate, mortality rate and migration. However, the Madar Research-Orient Planet study revealed that the six GCC member states represent a population case whose growth rate and peculiar demographics have defied the norms and have led to largely overlooked or underrated misrepresentation of the population and the numerous indicators that depend on it. The UAE, Qatar, Kuwait and Bahrain have been particularly vulnerable to inconsistencies in statistical data as these countries attract large numbers of expatriate workforce and thus have the highest annual population growth rates in the GCC and among the highest in the world.

For the past three to four decades, the GCC states have been relying on expatriate workers to fuel one of the largest and fastest construction and development booms in the world. This workforce, who covers the whole spectrum of skills from none to highly qualified professionals, has grown over the years to constitute anything from 20% to 80% of each country's population in the GCC by end 2008. Furthermore, while in most countries around the world part or most of these expatriate populations would turn into permanent residents and eventually naturalized, GCC countries have very restricted naturalization laws, which allow for only a trickle of expatriate residents to gain local nationalities.

According to the study, the unique population composition of exceptionally large ratio of expatriate workers to nationals presents complications that require special treatment to rectify how national performance indicators should be measured. The study examined the population figures used by UN organizations during the past five years (2005-2008) and calculated the population growth rates for each of the six GCC states. These were compared with the growth rates calculated as per the best official estimates available for each year.

The difference in growth rates was quite disturbing. For instance, the growth rate for the UAE in 2008 stood at a mere 2.66%according to UN data, while the one based on official UAE figures stood at 13%. All UAE growth rates witnessed huge variations, while year after year the gap between the UN population data and government figures became larger.

Difference in growth was also very large for Kuwait and Qatar. The UN growth rate for Kuwait in 2005 was three%, compared with 8.62% as based on government estimates. Growth rates for Saudi Arabia did not show big variations and in 2006 official estimates indicated a growth as low as 1.84% – even lower than the UN rate. In the case of Saudi Arabia, however, several indicators suggest that government population figures over the past few years were gravely underestimated. A census scheduled before the end of 2009 is expected to rectify Saudi Arabia's population figure.

The current world recession is yet another factor that has resulted in changes in the population and its demographics, according to the Madar Research - Orient Planet study. For instance, many expatriate workers who had brought their families from their home countries would under the current financial crunch are forced to send them back home where life is often less costly. This trend is expected to change the age distribution, male to female ratio, among many other demographic, socioeconomic and ICT indicators.

Adding more complexity and confusion to performance indicators is the presence of large transient population of unskilled laborers. In 2008, these laborers, who are mainly from south and southeast Asia, constituted up to 35% of the total population in the UAE, 45% in Qatar and lower rates in Kuwait and Bahrain, followed by Oman and Saudi Arabia.

The impact of such transient population is much stronger when considering ICT indicators. As majority of this labor force is illiterate or have limited financial resources, they hardly or never use a computer or the internet.

Since they count as part of a country's population despite that they are transient (sent home after a project's completion), they bring down or skew the internet and PC penetration rates in the country. This means that when their numbers are reduced on a given year, internet penetration surges, while in a construction boom their increased numbers bring down the penetration rate. The study, though, noted that their impact on mobile phone penetration is less negative since many workers use mobile phones.

Proposed Remedies

According to the study, independent government bodies responsible for generating and regularly updating an official database of all statistics about the country's population and various demographics has already started to be established in two or three GCC countries. The study further stated that such a government entity would also be responsible for using the proper channels to regularly communicate census results, population estimates and relevant demographic data to the United Nations and other global organizations. The body should also monitor global research reports to ensure accurate data are used.

The study also recommended the use of three levels of population figures to provide a more realistic account of the population demographics and a much higher level of accuracy for the relevant indicators. The first population level would include only nationals in each GCC country, while the second level would combine nationals and expatriates, but excluding transient labor force. The third would include the entire population, including the transient labor force. (BI-ME 04.01)

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11.2 SAUDI ARABIA: Agribusiness Report for Q1 2010

Research and Markets (http://www.researchandmarkets.com) announced in their "Saudi Arabia Agribusiness Report Q1 2010" that the desert nation has been increasingly struggling with trying to sustain a domestic agricultural sector, despite low levels of renewable water and very limited arable acreage. The government seems to have lost patience with single-handedly supporting local farmers and would rather the kingdom become a net grains importer than continuing to drain a beleaguered, yet socially vital, water supply.

Even though Saudi Arabia is one of the richest countries in the world, in terms of GDP per capita, it is also among the least food self-sufficient, needing to import almost its entire requirement of major foodstuffs. However, since the late 1980's Saudi Arabia has been self-sufficient in wheat, even net exporting for a time. This was, however, made possible through high-level state assistance, including subsidies and tax breaks, while domestic water supplies used in the irrigation-heavy activity competed with household water consumption.

Domestic food self-sufficiency is showing little sign of improving. In addition to the aforementioned issues, steady population growth is further heaping pressure on both the public and private sectors to feed the population. In a bid to help preserve scarce and dwindling water supplies, the Saudi Arabian government intends to completely phase out the production of all crops it deems as particularly water intensive and thus a drain on non-renewable resources. These include important grains such as corn and wheat, which are vital for both household consumption and as a source of animal feed, meaning that the kingdom will have to rely more heavily on imports to secure future consumption. The Saudi government has reportedly said that it wants to rely on wheat imports entirely by the year 2016.

A burgeoning population has meant that there is more pressure than ever on both the state and the private sector to shoulder the responsibility of feeding the nation. Domestic investors are increasingly looking to overseas farmland to help provide a degree of stability and lessen an overwhelming reliance on food imports. Local agribusiness firms - and increasingly private equity companies - have been keen to exercise their financial might. The dairy industry - and particularly the value-added sub-sectors - already commercially and technically well developed, has attracted a number of key players seeking to expand domestically, as well as to make their presence felt throughout the wider Gulf and Middle East region. The publisher expects this sentiment to continue throughout 2010.

The publisher forecasts domestic Saudi wheat production to slide by over a quarter during the course of the new outlook period 2009-2014. This will come as a result of the government actively reducing imports from local farmers by 12.5% year-on-year to 2016, which will have the obvious effect of reducing producer sentiment. The publisher does, however, predict corn to expand despite the government's objectives. Corn production is already marginal, yet the increasing popularity of the grain as animal fodder - plus a tighter, more price supportive national and international market compared to wheat - should underpin a higher sentiment among local farmers. With water availability a constant scourge, corn production is unlikely to extend beyond a few wealthy producers with suitably efficient technology to enable profitable returns.

As mentioned before, the dairy sector is where the publisher predicts the most widespread growth, with both supply and demand expansion foreseen in every sub-sector covered in the publisher's outlook through to 2014. This sector boasts some of the most technically advanced and efficient technology seen anywhere in the Middle East, if not the world. The publisher expects investment to be attracted to the dairy industry from 2010 and beyond. (R&M04.01)

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11.3 EGYPT: Pharmaceuticals & Healthcare Report for 2010's First Quarter

Research and Markets (http://www.researchandmarkets.com) released their "Egypt Pharmaceuticals and Healthcare Report Q1 2010.” In the Q1/10 Business Environment Ratings table for the 17 countries in the Middle East and Africa (MEA) region, Egypt has retained 9th position in the matrix above Morocco and Iran, but below Jordan and Oman. Key drawbacks of the Egyptian pharmaceuticals and healthcare market include low per-capita spending on drugs, as well as poor drug pricing and reimbursement conditions. Public sector health expenditure reached a value of $3.5bn in 2008, accounting for 41.7% of total health expenditure.

The analyst calculates Egypt's pharmaceutical expenditure to have been $2.34n in 2008. R&M expects drug expenditure to reach $2.47bn in 2009. By 2014, we expect the total amount spent on prescription and over-the-counter (OTC) medicines to have reached $4.3bn, equating to a 2009-2014 CAGR of 7.3% in local currency terms and 11.5% in US dollar terms. As part of BMI's forecasting development initiative, we have extended the forecast period for our Drug Expenditure Forecast Model from 5 years to 10 years. The 10-year forecast model projects that Egyptian drug expenditure will reach a value of $6.0bn by 2019, representing a 2009-2019 CAGR of 7.2% in local currency terms and 9.3% in US dollar terms. As a proportion of GDP, drug expenditure is expected to decline over the 10 years, from 1.30% in 2009 to 1.20% by 2014, and to 1.14% by 2019. The drop-off is anticipated due to stringent cost-containment measures by the government, including a greater use of generic medicines and strict price controls.

Despite the government's focus on cost-containment, BMI calculates that the contribution to the country's healthcare sector as a proportion of the total health expenditure is set to increase over the 2009- 2014 forecast period. In 2009, government spending on health expenditure is expected to reach $3.7bn, accounting for 43.6% of total health expenditure. By 2014, it is expected that the government's contribution to healthcare will increase to 47.2% of total health expenditure, reaching $6.0bn - a 2009-2014 CAGR of 10.1% in US dollar terms. BMI welcomes the increasing government investment in Egypt's healthcare sector, as according to our Burden of Disease Database (BoDD) the number of disability-adjusted life years (DALYs) lost to disease is set to increase.

Meanwhile, Egypt's largest generic drug maker and the largest pharmaceutical company in the MEA region, EIPICO, has been edging closer to becoming an $181mn drug maker. By 2008, its revenues had reached $164mn. While respectable, a glance at the diversity of products on offer suggests that EIPICO has the potential to exceed EGP1bn in the next few years if its growth rate stays on track. Additionally, its Biotechnology Centre arm, separate to EIPICO's other manufacturing operations, will provide the firm with a starting point to enter the biopharmaceuticals sector, which we believe to be a rapidly-expanding area. These products will be of high value and therefore should support the firm's overall growth figures. (R&M 30.12)

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11.4 PAKISTAN: IMF Completes Third Review Under Stand-By Arrangement for Pakistan

On 23 December, the Executive Board of the International Monetary Fund (IMF) completed the third review of Pakistan's economic performance under a program supported by a Stand-By Arrangement (SBA). The completion of the review enables the immediate disbursement of an amount equivalent to about $1.2 billion, bringing total disbursements under the program to an amount equivalent to about $6.54 billion. The Executive Board also approved Pakistan's request for a waiver for the non-observance of the end-September performance criterion on the ceiling of the overall budget deficit, which was missed by a margin of 0.3% of GDP. The 23-month SBA in an amount equivalent to about $8.11 billion was approved on November 24, 2008. On August 7, 2009, the SBA was augmented to an amount equivalent to about $11.35 billion and extended to end 2010.

Following the Executive Board's discussion on Pakistan, Mr. Takatoshi Kato, Deputy Managing Director and Acting Chair, stated:

"The Pakistani authorities have made significant efforts to stay the course on stabilization and structural reform against the backdrop of weak external demand and a difficult security and political environment. Inflation has declined, the external position strengthened, and tangible progress has been made in tax, electricity and financial sector reforms. Nevertheless, Pakistan's vulnerabilities remain high, due notably to low revenue collection, large energy subsidies and weak private sector credit. A credible fiscal consolidation, supported by flexible interest rate and exchange rate policies, further structural reforms and improved governance will be essential to reduce these vulnerabilities.

"The fiscal slippage in the first quarter of 2009/10 was due partly to factors beyond the authorities' control. The authorities are committed to strengthened fiscal discipline, including the use of contingencies. Adhering to the 2009/10 fiscal target - while challenging given security-related spending pressures - will help build confidence, preserve macroeconomic stability and limit the potential for crowding out the private sector. Resolute implementation of tax administration reforms and timely disbursement of the pledged foreign financing will help facilitate fiscal management and prevent excessive recourse to domestic borrowing and undue compression of social and development spending.

"The introduction of the VAT and associated administrative reforms, scheduled for July 1, 2010, is key to strengthening revenue, crucial for reducing poverty and financing needed investment in human and physical capital. Prompt submission of the VAT law to parliament and its passage will therefore be important.

"The nationwide rollout of the strengthened targeting system for the social safety net is key to easing the hardship related to macroeconomic adjustment. The authorities remain committed to strengthening administrative capacity to ensure timely implementation of the new system.

"A cautious monetary policy stance will be essential for counteracting inflationary pressures. Maintaining a flexible exchange rate policy will help facilitate a further buildup of foreign reserves. The early experience with the interest rate corridor is encouraging, but care should be taken to harmonize better the corridor-based liquidity management framework with the monetary policy objectives.

"The authorities remain committed to ensuring financial stability and fostering bank soundness. Continued vigilance will be needed to ensure that bank lending decisions are economically sound, and to avoid moral hazard risks related to regulatory forbearance." (IMF23.12)

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11.5 TURKEY: Highs & Lows of Turkey's Economy in 2009

As the impact of the global economic crisis began to ease parallel to global markets in the first quarter of the year, Turkey's economy began to show sings of recovery. However, the recovery seemed to be a slow one and could not help Turkey's economy break its contracting trend. Turkey's economy, which recorded a 6.5% contraction in Q4/08, recorded one of 3.3% in Q1/09. The economy's contraction in the first nine months of the year added up to 8.4%.

The Turkish economy, which contracted 5.7% during the banking crisis of 2001, displayed a growth trend until the recent global crisis. During the first nine months of 2009, the biggest contraction was experienced in the construction industry with 19.5%, followed by trade with 16.3%. Contraction in the manufacturing industry stood at 12.2%.

One certain result of economic contraction was an increase in unemployment. The country's unemployment rate rose to 16.1% in February setting a new record. Finally, according to the latest unemployment data of the Ankara-based Turkish Statistical Institute, that figure stood at 13.4% in September. The number of employed stood at 22.02 million in

September, while the number of unemployed stood at nearly 3.4 million. Last year during the same period, the unemployment rate stood at 10.7%, and the number of people without employment added up to 2.6 billion.

Since the beginning of 2009, inflation in Turkey has hovered over single digits for the first time in a long time. However, that trend changed as inflation rose slightly in November of 2009 as declining demand in the domestic market began to reflect on prices. In November, the producer price index, or PPI, rose 1.29%, while the consumer price index, or CPI, rose 1.27%. The annual increase in the PPI was 1.51% and the CPI was 5.53%.

Budget Deficit On The Rise

Contraction in economic operations caused a decline in tax income in 2009. The budget deficit of the central government added up to TL43.23 billion for the period between January and October. The central government's budget expenditure for the first 10 months of the year added up to TL 128.6 billion. The budget revenues stood at only TL 175.37 billion and the primary surplus during the period added up to TL 7.01 million. Revenues from taxes were tallied at TL 139.2 billion.

Turkey's exports, which displayed a declining trend due to contraction in international markets, started to pick up in October. The export figure of Turkey between January and November stood at nearly $87.61 billion. The Turkish Statistical Institute announced the export figure between January and October at $83.21 billion. According to the institute, the country's imports for the same period stood at $112.85 billion. The foreign trade gap of the country was announced to be nearly $29.64 billion.

Foreign-Exchange Reserves

The Turkish Central Bank's reserve, which used to stand at $73.35 billion at the end of 2008, rose 2.3% to $75.04 billion. As per Dec. 4, some $3.73 billion of that total was gold, while $71.32 billion was foreign-exchange reserve. The Bank's reserve reached its peak on Nov. 13 with $71.6 billion. The lowest it has been was $62.41 on April 24 when the bank held foreign-currency auctions. The internal debt stock of the country, which stood at 274.83 billion at the end of 2008, rose to nearly 327.2 billion. The external debt stock of the country declined to $268.56 billion at the end of June 2009 from $278.15 billion in 2008.

Turkey's banking industry endured the backslash of the global crisis, which deepened after Lehman Brothers, one of the world's largest investment banks, went bankrupt in the fall of 2008. This endurance was due to reforms implemented in the industry following Turkey's 2001 crisis. The Central Bank, aiming to secure and prolong price stability, continued to take precautions in order to limit the global crisis' impact on the domestic market. With that in mind, the bank lowered its overnight borrowing rate to 6.5%. That brought reductions in the past year to 10.25%, more than any other nation in the Group of 20.

Through foreign-exchange auctions, the Bank also lowered the value of the dollar, which stood at nearly TL 1.83 in March, to TL 1.46 in August. On Dec. 15, the dollar stood at TL 1.51. Meanwhile, the euro rose to TL 2.20 on Dec. 15, 2009 from nearly TL 2.15 at the end of 2008. (Hurriyet 30.12)

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11.6 GREECE: Moody's Downgrades Greece to A2 From A1

On 22 December Moody's Investors Service (https://v3.moodys.com) downgraded Greece's government bond ratings to A2 from A1. This rating action concludes the review for possible downgrade initiated by Moody's on 29 October 2009. The outlook is negative. This rating action does not affect the ratings of Greece's country ceilings for bonds and bank deposits, which remain Aaa (like the rest of the Eurozone).

"Greece's repositioned rating of A2 balances the Greek government's very limited short-term liquidity risks on the one hand, and its medium- to long-term solvency risks on the other," says Sarah Carlson, Moody's lead sovereign analyst for Greece. Moody's notes that the country's longer-term risks have only partly been offset by the government's announced policy response.

Moody's had initiated its review of Greece's A1 sovereign rating in response to mounting evidence that the government's long-term credit strength was eroding materially. In particular, the rating agency intended to assess the new government's policy intentions and its room for maneuver.

"Moody's believes that Greece is extremely unlikely to face short-term liquidity/refinancing problems unless the European Central Bank decides to take the unusual step of making the sovereign debt of a member state ineligible as collateral for bank repurchase operations - a risk that we consider very remote," says Arnaud Maris, Senior Vice President in Moody's Sovereign Risk Group.

Moreover, as evidenced by other support operations within the EU, Moody's indicated that there are potentially other means to mobilize emergency liquidity funding should it be required - but Moody's does not believe that this will be necessary.

Moody's also does not believe that the Greek government's difficulties represent a vital test for the future of the eurozone, but rather a repricing of relative risks that had been concealed by years of abundant global liquidity and somewhat above-potential growth.

"The Greek government's credit challenges are of a longer-term nature," explains Ms. Carlson. "They stem from slow erosion in competitiveness and economic potential, which implies that the government's debt problem cannot be resolved by growth alone. They also result from chronically weak fiscal institutions, which cast a shadow over the government's ability to implement decisive fiscal retrenchment in order to restore debt sustainability."

Furthermore, the combination of a global post-crisis environment that is less favorable to Greek public finance dynamics (with increased risk discrimination and muted global demand) and an equally challenging domestic environment (with accelerating demographic pressure on public finances in coming years) will make any fiscal adjustment increasingly difficult and costly to postpone. However, Moody's continues to think that a migration of liabilities from the banks' balance sheets to that of the sovereign is unlikely.

Moody's acknowledges that last week's announcements by the Greek government clearly identify these weaknesses and pave the way for a lasting solution. However, the long-term credit standing of Greece will depend on the Greek population's acceptance of these measures and the government's vigorous implementation of them. "As neither of these can be taken for granted, and because these measures will also take time to bear fruit, Moody's has placed a negative outlook on the Greek government's new A2 rating," says Ms. Carlson.

At A2, Greece's bond rating compares with those of other high-income but highly indebted countries that do not face external payment vulnerabilities. However, the rating is positioned well below those of Belgium, Ireland or Italy (which are rated at Aa1-Aa2) to reflect Greece's poor track record in terms of real fiscal adjustment. Greece's rating also remains higher than Baa-rated Mexico, Brazil or Hungary, all of which have better or similar debt metrics but much lower income levels. These countries also do not benefit from the protection against external payment crises afforded by Greece's membership in the European Monetary Union.

Looking ahead, the question of whether the negative outlook will evolve into a stable outlook or into a further downgrade will depend on the Greek government's plan being followed through - as demonstrated for instance by a sustained increase in tax revenues and/or the effectiveness in reining-in expenditure. Moody's last rating action with respect to the government of Greece was on October 29, 2009, when its A1 long-term debt ratings were placed on review for possible downgrade. (Moody's 22.12)

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11.7 GREECE: Euro under Threat: Culture of Corruption Drags Greece Down

Der Spiegel (http://www.spiegel.de) reports that the Greek government has pushed the country to the brink of national bankruptcy, threatening the whole euro zone as a result. But the elite believe that other members of the EU's currency union will pay up - despite widespread inefficiency and corruption.

When the global economy began to falter, triggered by bankers in New York and London, it highlighted the fact that Greece has little else but tourism and its commercial fleet with which to earn hard currency in international markets. Tax revenues declined sharply and the government announced that it expected its deficit to be twice as high as initially predicted. But even that initial assumption was twice as high as is permitted under the Maastricht Treaty. The Greeks are now forced to borrow 12.7% of their gross domestic product, on top of the €270 billion in debt they have already accumulated.

The financial experts in New York and London reacted immediately. The three main rating agencies - which rate the creditworthiness of companies and governments worldwide - downgraded the debt of a euro zone country to "uncertain" for the first time. Moody's moved Greece's government bond ratings to A2 from A1 and then the chief currency expert UBS also advised investors to sell euros, noting that the currency was likely to lose value, partly because of Greece. This, according to the UBS expert, would bring down the euro even further, because "foreign central banks have to assess the risk of a possible collapse of the euro zone."

No Tomorrow

For years, the conservatives and socialists who took turns running the country borrowed as if there were no tomorrow. Through mismanagement and nepotism, they drove their country to the brink of bankruptcy. Citizens, for their part, reacted by engaging in corruption and fraud.

With the euro in place, this sort of situation is no longer merely the problem of a small country with a population of 11 million, but affects all of Europe. A national bankruptcy in a euro country could do tremendous damage to the currency. Moreover, a bailout of the Greek government could trigger a domino effect, with other shaky economies like Italy, Spain and Portugal opting for a "soft landing." Recently, German Finance Minister Wolfgang Schaeuble attempted to bring calm to the situation when he told the tabloid Bild that although Greece has lived "well beyond its means, we cannot pay for the Greeks' mistakes." It was the kind of thing someone says when they know this is precisely what could end up happening.

Before he was elected on Oct. 4, new Greek Prime Minister Papandreou translated US President Barack Obama's "Change - Yes, We Can" slogan into Greek. But Papandreou's version was a little more dramatic: "We Must Change - Or We Will Go Under." On the evening of Dec. 23, he managed to push the most severe austerity budget in recent history through the Greek parliament. The only question is: Will it be enough?

Asking Too Much of the Government

"The problem is that our weak country is expected to overcome the crisis with a strong euro, which is asking too much of the government," says someone with a keen understanding of Papandreou and his team. His villa, on a hill above Athens, is full of antique furniture, modern art and good wine.

Georgios Kyrtzos was a schoolmate of Papandreou, at a private school, of course, and graduated with him in 1971. He went on to study at the elite Massachusetts Institute of Technology and the London School of Economics. Greece is a feudal society ruled by upper-class families. Papandreou's father and grandfather were both prime ministers. Kyrtzos, a former economic adviser to a conservative government, owns two newspapers. As an adolescent, he agitated for the Communist Party. "I share its criticism of capitalism," he says. "But I like it."

Papandreou, says Kyrtzos, pursues "policies for the people, not for the financial markets. As if they would wait. I wish the world were like that." In one of his campaign promises, Papandreou, seemingly oblivious to the issue of "spread," pledged to give civil servants a pay raise in the coming year. The so-called spread shot up to 2.7% after the rating agencies had downgraded Greek debt.

Spread can be as deadly to a country as drinking seawater is to a shipwrecked man. The more debt a country has, the higher the interest rate it is forced to pay on its government bonds. Germany, as Europe's most creditworthy borrower, is the benchmark in the euro zone. A spread of 2.7 means that Papandreou must now pay 2.7% higher interest than Schaeuble, or about 6% on Greek treasury bonds. As a result, Greece is forced to borrow even more.

By now, says Kyrtzos, the economy is no longer capable of financing the state's institutions, which are "completely out of control." According to Kyrtzos, Papandreou, like his conservative predecessors, lacks the power to trim government spending. In the end, Kyrtzos believes, the rich countries will be forced to pay up.

Conjuring Trick

Piraeus is a case in point. In recent months, China's Cosco Pacific Ltd. acquired a large share of the central port near Athens. But the workers at the port are too expensive for the Chinese, which is why they are to be employed elsewhere, where no one needs them, or eliminated completely with severance pay or early retirement benefits.

The early retirement option is attractive to Greek workers. According to 2007 figures from the Organization for Economic Cooperation and Development (OECD), the average Greek retiree continues to receive 95.7 of his former wages, while German retirees collect only 43%. Nevertheless, the former conservative government promised that the Chinese deal would not burden the national budget, a Greek conjuring trick. The port authority will likely be stuck with the costs incurred for the unemployed port workers, which some estimate at €60 million.

Schools are another case in point. The Greeks employ about 140,000 teachers. In recent years, the number of children going to school has declined, while the number of teachers has increased. Of the current figure of 140,000, 18,000 have somehow disappeared into the government bureaucracy, but no one knows where.

Conservatives and socialists continued to inflate the government administration to provide jobs to their supporters. In typically Greek fashion, Athens was particularly adept at taking advantage of the EU's "Stage" program, which is designed to fund short-term jobs for the unemployed, using temporary contracts, to allow them to gain a few months of work experience. There are now 30,000 of these so-called "stagiers" working in the public sector, which is already vastly overstaffed. Some have been gaining work experience in supposedly temporary jobs for five or six years, and they have become a force to be reckoned with. When the Papandreou administration recently announced that it intended to at least allow the stagiers' contracts to expire, the workers affected by the decision demanded full-time government positions.

Crisis Guru

Anger over the stagiers predicament is understandable. But it merely reflects the way the government machine grows, sometimes on the left and sometimes on the right. "This country is organized too expensively and inefficiently. We are constantly paying for new machines," says Babis Papadimitriou, an economic analyst with the ascetic demeanor of a mathematician. Papadimitriou is the Greeks' crisis guru, an austere star for difficult times. He hosts a daily radio show, appears on the television news in the evening and writes newspaper columns.

Papadimitriou is sitting in the cafeteria of a publishing house, next to an enormous, gloomy oil painting. It depicts a violent thunderstorm off the Greek coast, but it also includes a section of a rainbow. A window next to the painting offers a view of one of the marinas in Athens, where hardly any of the yachts is worth less than €1 million. There are several of these marinas in Athens alone. But fewer than 5,000 people in all of Greece report a gross annual income of more than €100,000 on their tax returns, says Papadimitriou.

Greeks, says Papadimitriou, a Greek himself, may love their nation, but they view the state as a power that must be ransacked. Tax evasion affects 10% of value-added tax throughout Europe, but in Greece that numbers jumps to about 30%. According to Papadimitriou, tax evasion is rampant in one third of the entire economy. In theory, hundreds of millions in unpaid taxes could be recovered, an approach the new administration supports.

But how? In other countries, tax evaders would receive visits from the tax authorities and that also happens in Greece. But in Greece deals are made. In return for leaving tax evaders untouched, officials receive "fakelaki" -- envelopes containing bribes. There are even standard rates for bribes. For instance, the going rate for a vehicle exhaust inspection is a fakelaki containing €300.

"We have always been a society built on favors," says Kostas Bakouris, president of the Greek arm of the anti-corruption organization Transparency International, which placed Greece in 71st place - behind Ghana - on its list of the world's 180 most corrupt countries. According to Bakouris, the average Greek family pays €1,700 in bribes a year.

Tough Customer

To confront the problem, the socialists brought in Georgios Sorbas after assuming power last fall. Sorbas was an obvious choice, the perfect man to convince the world that the Greek government is determined to truly root out corruption - despite the fact that the man, with his sharp gaze under bushy eyebrows, is already 70 years old.

Sorbas is impartial and is seen as a tough customer, but a man of integrity. He was a prosecutor for a long time, then served as deputy attorney general and as a senior official in the Defense Ministry. Many of his cases had to do with corruption, such as a case involving the monks of the Vatopedi monastery in Athos, who were accused of having cheated the government with real estate transactions. Sorbas is so intimately familiar with Greece's shady side that he doesn't even think it's funny that monks are trying to cheat the government.

The previous, conservative government brought in Sorbas to develop a financial supervision authority. But soon they stopped giving him positions or computers. Nevertheless, Sorbas began investigating questionable deals involving pension funds. When he tried to gain access to the bank statements of influential men, he was neutralized and his agency was incorporated into the Finance Ministry.

Now the Papandreou government wants Sorbas to head an expert commission charged with drafting a law for a large new anti-corruption agency. "Greece still has a sufficient number of healthy civil servants who can deal with the problem," he says. Transparency head Kostas Bakouris, who is also 72, says: "I would like to see someone finally end up in prison." If society doesn't change, he adds, "we are truly lost." (Der Spiegel 29.12)

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- Israeli Shekel conversions done at a rate of NIS 3.80 = $1.00
- Turkish Lira conversions done at a rate of NTL 1.60 = $1.00
- Euro conversions done at a rate of € 1.00 = $1.40
- Jordanian Dinar conversions done at a rate of JD 1.00 = $1.41
- UAE Dirham conversions done at a rate of Dh 3.67 = $1.00
- Omani Rial conversions done at a rate of OR 0.385 = $1.00
- Pakistani Rupee conversions done at a rate of Rs 82 = $1.00

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