

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

LEBANON

U.S. blacklists 10 Lebanese and Syrians for undermining stability in Lebanon

U.S. President George Bush signed an order that bars from the United States six former Lebanese ministers and members of parliament as well as four Syrian intelligence officials accused of harming Lebanon's sovereignty and its democratic institutions. The White House said the new order was provoked by Syria's "continuing activity in Lebanon". The proclamation states that the ban covers those "who have contributed to the breakdown of the rule of law in Lebanon, including through the sponsorship of terrorism, politically motivated violence and intimidation, or the reassertion of Syrian control in Lebanon."

Lebanese targeted by the ban are former ministers Assaad Hardan, Abdulrahim Mrad, Assem Qanso, Michel Samaha and Wi'am Wahhab as well as former MP Nasser Qandil. The black-listed Syrians are Hisham Ikhtiyar, national security adviser to President Bashar Assad; Assaf Shawkat, director of Syrian military intelligence and Assad's brother-in-law; Rustom Ghazali, former head of Syrian military intelligence in Lebanon; and Jameh Jameh, former head of Syrian military intelligence in Beirut. The White House said the list can be extended to others not mentioned by the ban.

Source: AFP, AP

NIGERIA

Truce ends in Niger Delta

The Movement for the Emancipation of the Niger Delta (MEND) declared that it will not renew its one-month truce with President Yar'Adua's administration. The reasons MEND gave for ending the truce are that the military has recently used excessive force in local communities and the government has failed to engage directly with MEND over the issues facing the Niger Delta. The truce began soon after Yar'Adua's inauguration in early June and ended on July 3. However, it had already failed to stop kidnappings and minor attacks on oil facilities in June. MEND had also said that the June 14 release of rebel leader Alhaji Mujahid Dokubu-Asari of the Niger Delta People's Volunteer Force would end militant activity, but the continuation of violent activity following his release highlighted the fragmented nature of militias in the Delta. It also undermined MEND's supposed role as the major negotiating party in the Delta. Still, this is a setback for Yar'Adua's administration, as the end of the truce could escalate more economically damaging attacks on oil installations. On the other hand, it is yet unclear whether MEND can or will cut more oil production. Its threat to unleash a month of terror on former President Obasanjo's last month in office resulted in relatively minimal losses to oil production.

Source: Credit Suisse

IRAQ

Growing risk of a cross-border military operation in northern Iraq

Foreign Minister Abdullah Gul said that it was "not out of possibility" that parliament could convene before the July 22 elections to grant a mandate to the military for a cross-border operation in northern Iraq against Kurdish PKK militants. Minister Gul added that all options were on the table and that various military contingencies have been pre-approved by the prime minister. Meanwhile, Prime Minister Erdogan said that the government's communication with the military and its diplomatic contact with other countries regarding the PKK presence in northern Iraq continued and that he would call Parliament for an extraordinary convention if the need arose in the coming weeks.

Source: Credit Suisse

Cabinet endorses amended oil law

The Iraqi Cabinet approved changes to a draft hydrocarbon law and sent it to Parliament for immediate debate. The draft was amended by a government consultative committee which made 'some linguistic amendments to the law' addressing the mechanisms to be used for revenue sharing. The draft oil law was originally approved by the Cabinet in February but faced opposition from several powerful factions, prompting further debate. Besides setting up a new oil firm to oversee the industry and distributing revenues from crude oil exports equitably across 18 provinces, the law aims to open the sector to foreign investors. The law is also a key benchmark stressed by Washington to end the sectarian bloodshed in Iraq and the U.S. has pushed for months to speed up passage of the law.

Source: AFP, Reuters

MAURITANIA

Government to submit draft law on slavery

The Justice Ministry announced that a draft bill on the repressive practices of slavery in Mauritania will be submitted to the Parliament. According to the ministry, the bill was prepared with the participation of jurists and civil society representatives, and includes effective measures for guaranteeing equality between different 'societal groups' in Mauritania. The draft supersedes previous legislation, calls for the promotion of a culture of equality, tolerance and citizenship and imposes 5- to 10-year prison terms and a fine of €1,500 for those who enslave other people. Although slavery was officially abolished in the 1980s, there were no means to enforce the ban. President Sidi Mohamed Ould Cheikh Abdellahi pledged during his election campaign to take his country's slave practices to task.

Source: Magharebia News

JUNE POLITICAL RISK OVERVIEW

ALGERIA

President Bouteflika appointed the new cabinet on June 4. Abdelaziz Belkhadem remained PM. Gunmen killed 2 security guards in attack on gas pipeline east of Algiers on June 22.

ARMENIA

The republican Party, despite winning outright majority in May parliamentary elections, signed a coalition agreement with Prosperous Armenia Party (BHK) and a cooperation deal with Armenian Revolutionary Federation Dashnaksutyun (ARF) on June 6. BHK and ARF will have 3 ministerial portfolios each. The constitutional Court rejected opposition appeals for partial recounts and reruns of polls.

EGYPT

Accusations of official intimidation and vote manipulation marred elections for a third of seats in Shura council. After the first round on June 11, which saw at least 400 Muslim Brothers arrested, the group accused the government of "massacring" democracy; no pro-Brotherhood independents ran in second round on June 18. Ruling National Democratic Party won 84 seats, Tagammu Party 1 seat, and independents 3 seats. U.S. Congress Committee voted to condition \$200m of \$1.3bn military aid on police and judicial reform, and on halt of weapons smuggling to Gaza. At least 45 Muslim Brother students were detained in Alexandria on June 30.

IRAN

An exceptional display of internal dispute followed the fuel rationing as protestors set fire to a petrol station with anti-government slogans in Northwest Tehran on June 26. The rationing was imposed amid fears of UN sanctions over the nuclear program. EU foreign policy chief Javier Solana held talks with Tehran's lead negotiator Ali Larijani in Lisbon on June 23. U.S. Secretary Defense Robert Gates accused Tehran on June 13 of allowing a substantial flow of weapons to Afghan Taliban.

IRAQ

The U.S. military announced a full deployment of all extra troops, mostly in Baghdad, as part of its "surge" strategy. The U.S. is apparently using a new tactic of arming and empowering Sunni factions that vow to resist outside groups such as al-Qaeda. U.S. commanders and Iraqi provincial officials met 130 Sunni leaders in Tikrit who agreed to play a more active role in defending their province, Salahuddin, against radical insurgent groups. Despite calls for calm from prominent Shia cleric, Grand Ayatollah Ali Sistani, 6 Sunni mosques were targeted in reprisal attacks. 80 were killed in a truck bomb attack on Shia mosque in central Baghdad on June 19.

IVORY COAST

Rocket attack on PM Guillaume Soro's plane on June 29 killed 4 but Soro spokesman and President Gbagbo said this would not affect peace accord; arrests were made but no clear responsibility for attack emerged. Progress continued on implementing March 4 Ouagadougou peace accord.

KAZAKHSTAN

President Nazarbayev called early parliamentary elections for August 18, dissolving the lower house on June 20. The opposition's Naghyz Ak Zhol and All National Social Democratic parties agreed to merge on June 23.

NIGERIA

The appointment of new ministers was delayed by in-house haggling in ruling People's Democratic Party (PDP). Leading opposition candidates, former VP Atiku Abubakar and Mohamadu Buhari ruled out participation in government until election petitions are determined, but their parties (Action Congress and ANPP) began formal talks with PDP on June 26 towards forming a government of national unity. Initiatives were threatened by continued violence, as soldiers and militants battled over oil facilities with over 30 killed.

SAUDI ARABIA

Eleven mostly middle-ranking clerics were arrested on June 7 for being "funders and inciters" of terrorist activity.

SUDAN

Small steps forward but no promise of short-term security improvement in Darfur. Khartoum agreed, again, to allow a hybrid AU/UN force in Darfur after high-level meeting in Addis Ababa on June 11 and 12. But UN command and control was publicly rejected by President Bashir on June 19. The new force would still not be operational until well into 2008.

SYRIA

Israeli media reported that Israeli PM Ehud Olmert secretly sent messages to President Bashar Assad offering full withdrawal from the Golan Heights in exchange for full peace.

TURKEY

The political situation remained tense ahead of July 22 parliamentary elections. President Sezer referred a proposal to elect the president by popular vote to referendum, but blocked government moves to hold referendum on July 22. The security situation in the Southeast further deteriorated as increased rebel attacks saw over 50 killed. The EU agreed to open 2 new negotiating chapters with Turkey on statistics and financial control, but delayed opening of talks on economic and monetary policy after French objections.

UKRAINE

Early parliamentary elections for September 30 were confirmed after parliament approved the necessary legislation. President Yushchenko requested EU observers.

YEMEN

A ceasefire deal was agreed between government and Al-Houthi rebels, brokered by Qatar, on June 16 after months of violence in Saada province.

Source: International Crisis Group



OUTLOOK

IVORY COAST

Economic outlook remains precarious

Given the political and military situation, the economic outlook for Ivory Coast remains precarious and overly dependent on the resilience of the cocoa and petroleum sectors as the main sources of revenue. GDP growth is expected to reach 2% in 2007 compared with 1% in 2006.

Despite major disruptions to the domestic economy, inflation has been contained by the tight monetary policy of the regional Central Bank, the widespread availability of food and the continuation of basic trading activity. With none of the main factors driving inflation expected to change significantly in the coming years, inflation is expected to remain low, at 2% in 2007 and 2.5% in 2008. The CFA franc is pegged to the euro and has appreciated modestly against the dollar in 2006. It is expected to strengthen more sharply in 2007 and then to fall back slightly in 2008.

The outlook for the current account will continue to depend on the main cocoa harvest and on oil earnings. Oil exports are estimated to have risen significantly in 2006 and exceeded cocoa exports, reflecting increased oil production and high global oil prices. Oil production is forecast to rise further in 2007-08. Overall export earnings are expected to remain high, averaging \$8.6bn per year in 2007-08. However, the continued need to import many basic goods means that imports will remain high. Imports are forecast to rise from \$6.3bn in 2007 to \$6.5bn in 2008, and so the trade surplus is expected to narrow over the forecast period. Current account balance reached 2.1% of GDP in 2006 and is expected to reach zero % of GDP in 2007 and -0.5% of GDP in 2008.

Source: Economist Intelligence Unit

MAURITANIA

Non-oil GDP growth forecast at 5.5%

In its first review of the three-year arrangement under the Poverty Reduction and Growth Facility with Mauritania, the International Monetary Fund said authorities met all the quantitative and structural performance targets and the 2006 fiscal results were broadly in line with program projections. Prudent monetary policy helped improve confidence in the domestic currency and rein in inflation, while the external position strengthened more than expected. Also, broad money growth was limited to 15% in 2006, while credit to the economy expanded by 7%.

The Fund projected real GDP growth to drop to 2% in 2007, down from 11.7% in 2006, due to a decline in oil production. However, non-oil sector growth is expected to strengthen to 5.5%, driven by the positive impact of the expected elimination of power shortages, and a rebound in construction. Inflation is projected at 7% year-on-year and official reserves at \$228m, equivalent to three months of imports.

The overall fiscal deficit (including grants) is forecast at 2.4% of non-oil GDP in 2007, as higher revenue and lower externally financed investment would compensate for lower oil output and prices. In view of the uncertainties associated with oil revenues, the authorities agreed to execute the 2007 budget cau-

tiously. The lower basic non-oil deficit would allow the authorities to reduce the oil fund transfer to the budget, and therefore protect most of the reserves accumulated at end-2006, while keeping the targeted reduction in domestic debt unchanged. In parallel, authorities are pursuing efforts to resolve the substantial arrears to non-Paris Club creditors. The IMF called on Mauritania to use the opportunity of a fresh start in the discussions with bilateral creditors that have not yet provided debt relief to press for rapid agreements on comparable terms.

The IMF said that despite the progress made so far, efforts should be intensified on the structural front, in particular in implementing public sector and fiscal reforms. Progress is being made to strengthen the financial oversight of state-owned enterprises and performance contracts will be prepared with World Bank assistance.

Source: International Monetary Fund

ROMANIA

Banking system well-positioned to absorb shocks

The International Monetary Fund indicated that Romania's banking system is well-positioned to absorb adverse shocks, but called on authorities to maintain their efforts to minimize vulnerabilities. The banking sector is liquid, well-capitalized and profitable in the face of increasing competition and falling spreads. Indicators and stress tests suggest that banks can absorb the consequences of adverse interest-rate or exchange-rate movements, or of slower economic growth. However, the IMF noted that the financial system is still in transition, and overly-rapid credit growth can magnify existing distortions and raise medium-term vulnerabilities, which places an added premium on effective supervision and regulation.

The IMF noted that authorities have maintained vigilance regarding strong credit growth, which has been associated with expanding domestic demand. From a low base, real domestic credit grew by 66% in 2006, reflecting both strong leu- and foreign-currency denominated credit. To tame this growth, the National Bank of Romania (NBR) has imposed administrative measures and high reserve requirements, creating distortions that could be even higher than those associated with overly rapid credit growth. Therefore, debt-to-income ratios imposed by the NBR at the bank levels for household credit have been removed recently. Continuing to align with EU practice, and to reduce costs on domestic banks, the NBR is now considering reducing reserve requirements, which are much above those in the EU.

According to the IMF, the capacity for assessing financial-sector stability is being strengthened, but predicting consequences of a less benign economic environment is more difficult for indirect exposures through loan portfolio. In view of this, the authorities are encouraging high capital ratios and conservative provisioning practices. To ensure a rapid and coordinated response to potential cross-border banking problems, the NBR enhanced its cooperation with regulatory and supervisory authorities in other countries and Memoranda of Understanding have been signed for all banks operating in Romania.

Source: International Monetary Fund



ECONOMY & TRADE

IRAQ

Plans for privatization underway

The Iraqi government has begun preparing the groundwork for the privatization of state-owned assets, as Iraqi officials have recently held talks with banking and legal advisers in London. Also, Iraq's Minister for Industry was looking to appoint advisers to draw up a memorandum of understanding to sell off the country's non-oil assets, ranging from petrochemical plants to construction companies, hotels and airlines. The privatization proposals could also include a massive extension of foreign participation in the oil industry, according to provisions for the involvement of multinationals in specific numbers of existing and new oilfields laid down in Iraq's new oil legislation.

Source: *Sunday Telegraph*

UAE

Fitch and S&P assign ratings to Abu Dhabi

Fitch Ratings assigned the Emirate of Abu Dhabi foreign currency and local currency Issuer Default ratings of 'AA' with a Stable outlook, as well as a short-term foreign currency rating of 'F1+'. Also, Standard & Poor's assigned to Abu Dhabi long-term foreign currency ratings of 'AA' and short-term local currency ratings of 'A-1+' with a Stable outlook. Fitch said the 'AA' rating reflects Abu Dhabi's track record of economic and political stability, exceptionally strong public and external balance sheets as well as its huge per capita hydrocarbon endowment. But regional political risk weighs negatively on the rating. Other weaknesses relate to very limited public disclosure and availability of financial and economic data, and the potential for unexpected calls on government finances, including from other emirates in the UAE.

S&P said the ratings on Abu Dhabi are supported by the government's very strong asset position and by the country's high level of stability and wealth underpinned by its rich natural resources. With no direct debt, the government net asset position is estimated at more than 200% of GDP in 2007, one of the highest among rated sovereigns. The ratings are constrained by the geopolitical risks facing all sovereigns in the region. Should such risks materialize, they would raise the specter of potential contingent liabilities in the UAE's banking and property sectors and put pressure on Abu Dhabi to provide wider-ranging support across the UAE.

Source: *Fitch Ratings, Standard & Poor's*

ANGOLA

Angolan Airlines barred from EU

The European Union announced it was adding the Angolan Airlines, known by TAAG, to its revised international blacklist. The airline would be barred from flying to EU nations because of safety concerns, the European Commission said. Earlier this year, the European Union unilaterally banned 62 African airlines from flying into EU airspace following a string of air disasters, including the Kenya Airways B737 crash that killed 114 people. The decision, following advice from an EU air safety committee, is expected to be formalized within a week.

Source: *AP*

NIGERIA

Government launches \$7bn case against Pfizer

The Nigerian government filed a \$7bn lawsuit against Pfizer, the world's biggest pharmaceutical company, while the U.S. multinational demanded the charges be dismissed. The government is seeking damages after nearly 200 children either died or suffered deformities following trials for a new drug the company carried out in the mid-1990s. The Nigerian government is also suing several of the company's current and former executives. Nigeria has based its case on claims that Pfizer had no authorization or parental consent to carry out the trials, while Pfizer insists it had full approval for the tests. The drugs trial took place in the northern province of Kano in 1996, but the government only brought the case on June 4 of this year.

Source: *AFP*

MOROCCO

Sale of 4% of telecom operator

The Finance Ministry announced that the government has launched the sale of 4% of its 34% share in Maroc Telecom on the Casablanca Stock Exchange. The state plans to unload more than 35 million shares, but wants to remain a significant shareholder in Maroc Telecom, the ministry said. The sale is open to both local and international investors and is being conducted by Morgan Stanley in consultation with Morocco's CFG Group and Banque Centrale Populaire. French media and telecoms group Vivendi holds a 51% stake in Maroc Telecom and 15% of the firm's shares are traded on the Paris and Casablanca stock exchanges.

Source: *Magharebia News*

KAZAKHSTAN

Moody's affirms ratings

In its annual report on Kazakhstan, Moody's Investors Service said the country's 'Baa2' government bond rating and stable outlook are supported by solid economic growth based on foreign direct investment in the energy sector, increased pipeline export capacity, and a tight fiscal and monetary policy. Kazakhstan's 'A2' foreign currency country ceiling for bonds is based on its foreign currency government bond rating of 'Baa2' and Moody's assessment of a low risk of a payments moratorium should the government default.

Moody's said much of the external debt consists of intra-company loans to the energy sector and is therefore of lower risk. Also, most of this debt is for the private sector, reflecting heavy borrowing by second- and third-tier banks abroad. The government has little external debt and little reason to borrow significantly in the short-to-medium term, and any future borrowing would be mainly in local currency. It added that the National Fund for excess oil earnings and tax revenues is growing rapidly and would, if needed, reduce vulnerability to external commodity price shocks.

Source: *Moody's Investors Service*



BANKING

SUDAN

Approval of \$2bn bank

Kuwait's International Investment Group said that its consortium, which includes other non-listed Kuwaiti firms, received approval to set up the Jumbo Bank in Sudan. IIG said the Jumbo Bank will have an authorized capital of \$2bn and a paid-up capital of \$1bn. The consortium will have a 30% stake in the new bank and the remaining 70% will be offered to the public.

Source: *Dow Jones Newswires*

JORDAN

Banking sector improves, still faces risks

Standard & Poor's indicated that the banking system in Jordan represents a relatively high risk despite improvement in recent years. It said banks' fast credit growth, the risks stemming from operation in the Palestinian territories, limited track record of asset quality stability, the lack of economic diversification, and the rapid growth of the real estate sector contribute to the risk level. But the banks' adequate capitalization and improving financial profiles, due to the much-improved economic environment that has prevailed during the past three years, offset these factors.

The agency noted that asset quality indicators have dramatically strengthened in the past few years, driven by Jordan's economic improvement and the rapid growth of loan portfolios. But the untested nature of new loans as well as the dependence of the Jordanian economy on a few cyclical sectors could trigger asset quality deterioration should economic conditions worsen. S&P said that although Jordanian authorities have limited financial flexibility, good risk-based banking supervision makes regulators better equipped to take early corrective action. According to S&P, the five largest players dominate the system and control more than two-thirds of total assets and three-quarters of total deposits. Given the small size of the remaining players and increasing competition, the sector could well enter a consolidation phase.

Source: *Standard & Poor's*

RUSSIA

Société Générale to take control of Rosbank

French bank Société Générale plans to buy a stake of 30% plus two shares in Russia's Rosbank, which would make it the first foreign lender to take control of a major Russian bank. Société Générale currently owns 20% minus one share in Rosbank, with 69% owned by Russian holding Interros. The planned purchase would give the French bank a 50% plus one share stake in Rosbank. Société Générale bought its existing stake in two purchases in 2006. Rosbank has the second largest banking network in Russia after state-controlled Sberbank, with 600 regional outlets, but is only the country's 10th biggest bank in terms of assets. Russia had agreed to allow foreign investors to take up to 25% of the banking sector in negotiations on World Trade Organisation (WTO) entry and that the current level is 8% or 9%.

Source: *AFP*

SYRIA

Al Baraka Bank-Syria to launch \$35m IPO

Al Baraka Bank-Syria announced it will offer 35% of its \$100m paid-up capital in an initial public offering in the fourth quarter of 2007. The bank is the third Islamic bank to operate in the country after Syrian International Islamic Bank and Cham Bank. The bank will soon assign the lead manager for the IPO and the share price will be SP500 (\$10). The Bahrain-based Al Baraka Banking Group has a 43% stake in the bank. The rest is held by Syrian and Jordanian investors.

Source: *Dow Jones Newswires*

TUNISIA

Central Bank maintains base interest rates

The Central Bank of Tunisia announced it has kept the prime interest rate on hold at 5.25%. In making its decision, the bank indicated that inflation in May accelerated slightly to 2.2% year-on-year while inflation levels during the first five months of the year averaged 2.3%, compared to 4.6% during the same period in 2006. The Tunisian dinar has appreciated 0.2% against the US dollar since the beginning of the year, while it depreciated 1.9% against the euro.

Source: *Magharebia News*

ALGERIA

Fitch assigns ratings to BNP Paribas-Algeria

Fitch Ratings assigned BNP Paribas-Algeria National ratings of Long-term 'AAA(dza)' with a Stable Outlook and Short-term ratings of 'F1+(dza)'. A Support '3' rating is also assigned. The bank's ratings are underpinned by the support it can expect from its main shareholder, France's BNP Paribas which controls 100% of its capital. Initially focused on corporate banking, the bank's ambition since 2004 has been to expand in the retail market. But BNP Paribas' recent bid for 51% of Crédit Populaire d'Algerie, Algeria's fifth-largest bank, may result in major changes in strategy. BNPP-Algeria is the third-largest private bank by total assets in Algeria. It held less than 1% of total deposits at end-2006.

Source: *Fitch Ratings*

UKRAINE

Exchange rate to be kept in tight range

The National Bank of Ukraine expects the exchange rate to be kept in a narrow range for the remainder of the year. First Deputy Governor of the NBU Shapovalov said that he expects the hryvnia to remain in the UAH 5.00-5.06 trading range "at least until the end of this year". This statement is in line with earlier comments by Central Bank officials and confirms the view that the NBU will not allow exchange rate volatility to increase until the resolution of the current political crisis. With early Rada elections due on September 30 and a new government unlikely to be formed before mid-November, the Central Bank is effectively signaling that exchange rate stability will be maintained until the formation of a new government and an agreement is reached among members of the ruling coalition on the prevailing economic policy mix.

Source: *Credit Suisse*



ENERGY/ COMMODITIES

Oil hovers near 10-month high ahead of stock data

Oil held steady around \$73 a barrel after briefly marking a new 10-month high on Thursday, as dealers waited for weekly U.S. oil inventory data expected to show little change in crude or fuel stocks. London Brent crude, currently seen as more representative of global oil prices, eased 6 cents to \$72.99 a barrel, after having traded as high as \$73.32, the highest front-month price since late August. U.S. crude shed 5 cents to \$71.36, with activity still thin following Wednesday's Independence Day holiday. Oil prices have risen to a series of 10-month highs over the past week as traders fret over thin U.S. gasoline supplies and fear a rapid drawdown in lofty crude stocks if OPEC maintains its supply curbs through the peak summer demand season.

Weekly inventory data is unlikely to do much to change the medium-term outlook. Crude stocks were expected to have fallen by 300,000 barrels from a nine-year high, but analysts may be more focused on refinery utilization rates, which were expected to have risen by 0.9% from exceptionally low levels.

OPEC officials maintain that current high prices are the fault of insufficient refining capacity, not a lack of crude oil supplies, despite calls by consumer nations to lift supply now to avoid a squeeze ahead of the winter. The Organization of the Petroleum Exporting Countries is scheduled to meet in September. In Nigeria a rebel group responsible for a large number of the attacks on the country's oil industry ended a month-long truce, while an attack on a Shell oil rig in the delta served as a reminder of the supply risks there.

Source: Reuters

Iraq oil exports fall 8.5%

Iraq's crude oil exports fell 8.5% in June due to power disruptions and maintenance work on the main Basra export terminal. Exports averaged 1.5m bpd, compared with 1.64m bpd in May.

Source: Bloomberg

Venezuela to sell petrol to Iran

Venezuela has agreed to sell fuel to Iran, which imports 40% of its petrol needs. Venezuelan President Hugo Chavez, accompanied by energy minister Rafael Ramirez, visited the Islamic Republic last week. Iran has brought in a long-delayed petrol rationing scheme in a bid to reduce its reliance on imports.

Source: Reuters

Petronet buys Qatar gas

India's Petronet LNG said it will buy 1.25m tonnes of liquefied natural gas from Qatar's Rasgas. The gas will be delivered over the next nine months to Petronet's Dahej terminal. The value of the deal was not disclosed. There is an option to extend the contract to December 2008, which would double the amount supplied.

Source: Reuters

Base metals: Price correction prevails

Base metal prices lost some terrain in the course of the week, with lead, nickel and zinc, in particular, suffering setbacks. In the wake of last week's price rally, lead is now trading at the \$2,600 mark again, while nickel and zinc prices are hovering at \$37,000 and \$3,400, respectively. The price of aluminium continues to move sideways at a level of \$2,700. And copper prices are wavering at the \$7,400 threshold on the heels of slight losses. Further volatility is expected as the risk of strikes, especially in the copper market, is creating additional uncertainty.

Source: Credit Suisse

Precious metals: Gold prices with mixed performance

Precious metal prices had started off the week on a bad note, but managed to stage a slight recovery in recent days. The correlation between gold and the US dollar has diminished noticeably in recent months. External factors, such as oil prices and the trend in the dollar, have lost their influence over gold due to the strong physical demand for the precious metal.

Source: Credit Suisse

Iron ore: Market already looking tight

The iron ore market is already showing clear signs of tightness. While new supply has been announced in response to optimism regarding future demand, a significant share of the new supply for 2007 is likely to delay. On the demand side, China continues to import more iron ore than expected. As a result, 2008 price projections were revised up and now a 25% increase is expected after almost 10% this year. A price decline is not expected until 2013.

Source: Credit Suisse

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	202.2	194.4	186.5	-0.9	19.7
LME metals price index	4003.9	3900.4	3816.4	-2.4	20.9
Oil prices USD	69.6	61.5	63.5	6.9	-3.5
Oil prices SDRs	46.0	40.8	42.4	6.9	-6.5
Gold \$/troy oz	649.7	658.6	638.0	-0.9	11.8
Silver cents/troy oz	1242.5	1331.2	1271.2	-3.9	19.7
Platinum \$/troy oz	1279.0	1237.2	1205.2	0.2	7.6
Copper \$/MT	7539.8	6778.2	7076.4	5.6	7.1
Nickel \$/MT	37427.5	44756.6	37851.7	-26.6	75.5
Aluminium \$/MT	2671.5	2782.4	2689.8	-2.9	8.8
Zinc \$/MT	3384.3	3576.5	3670.9	-6.2	12.1
Steel - HR coil dry \$/MT	600.0	600.0	589.0	0.0	29.0

Source: Credit Suisse



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Africa													
Algeria	-	-	-	-	BBB	9.9	19.5	3.8	6.4	1.6	5.0	15.7	0.8
	-	-	-	-	Positive								
Angola	-	-	-	-	CCC	1.8	16.9	21.6	22.0	11.4	216.9	22.7	4.6
	-	-	-	-	Stable								
Egypt	BB+	Baa2	BB+	BB+	B	-7.5	91.5	24.7	119.2	5.8	118.0	1.4	5.1
	Stable	-	Positive	Stable	Stable								
Ethiopia	-	-	-	-	CCC	-5.7	77.9	23.7	128.7	2.7	246.1	-16.5	2.2
	-	-	-	-	Stable								
Ghana	-	-	-	-	B	-3.1	38.6	26.9	86.5	2.7	152.4	-6.7	-
	-	-	-	-	Stable								
Ivory Coast	-	-	-	-	CCC	-1.8	69.4	64.3	133.3	4.2	603.3	5.4	-
	-	-	-	-	Stable								
Libya	-	-	-	-	BB	32.2	5.8	10.3	14.5	3.1	7.8	18.5	2.8
	-	-	-	-	Stable								
Morocco	BB+	Baa2	-	BB+	BB	-2.7	55.9	24.0	130.8	9.6	75.3	4.0	1.9
	Stable	-	-	Stable	Stable								
Nigeria	BB-	-	BB-	-	BB	-1.4	11.1	4.0	8.7	3.7	14.18	9.7	1.4
	Stable	-	-	-	Stable								
Sudan	-	-	-	-	CC	-2.3	51.5	58.4	296.5	3.6	-	-9.8	7.4
	-	-	-	-	Stable								
Tunisia	BBB	A3	BBB	BBB	BB	-2.9	54.8	54.7	134.2	15.2	260.1	-1.6	2.7
	Stable	-	-	Stable	Stable								
Middle East													
Bahrain	A	A1	A-	BBB+	A	6.1	25.8	129.0	63.1	5.8	750.7	9.9	12.1
	Stable	-	-	Stable	Stable								
Iran	-	-	B+	BB-	BB	-11.1	24.1	5.2	20.3	3.2	25.4	3.1	0.0
	-	-	-	Stable	Negative								
Iraq	-	-	-	-	D	-0.3	-	111.9	195.7	3.8	-	4.7	-
	-	-	-	-	Stable								
Jordan	BB	Baa3	-	BB	B	-3.4	73.2	89.0	137.0	6.6	221.6	-13.6	12.6
	Stable	-	-	Stable	Stable								
Kuwait	A+	Aa2	AA-	A+	A	33.3	9.2	17.9	32.8	2.0	106.2	39.3	-4.5
	Stable	-	-	Stable	Stable								
Oman	A	A1	-	A-	A	10.1	7.7	17.2	19.8	5.9	113.7	8.6	2.0
	Stable	-	-	Stable	Stable								
Lebanon	B-	B2	B-	B-	CCC	-13.1	174.6	101.6	492.5	14.8	242.6	-10.8	4.7
	Negative	-	-	Negative	Stable								
Qatar	AA-	Aa2	-	A+	A	6.8	15.5	47.0	96.5	10.9	407.7	27.8	4.3
	Stable	-	-	Stable	Stable								
Saudi Arabia	A+	Aa3	A+	A+	A	19.4	4.7	8.4	26.1	2.4	122.9	31.9	0.5
	Stable	-	-	Stable	Stable								
Syria	-	-	-	-	CCC	-5.3	44.1	20.1	49.3	4.1	107.8	-1.1	1.4
	-	-	-	-	Stable								
UAE	-	Aa2	-	AA-	A	23.9	10.6	60.0	29.8	2.0	332.9	18.8	5.2
	-	-	-	Stable	Stable								
Yemen	-	-	-	B-	B	-	38.8	28.9	69.2	2.8	73.9	-5.2	-
	-	-	-	Stable	Stable								



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	EIU								
Central & Eastern Europe													
Armenia	-	Baa3	BB-	-	-	-3.3	17.6	27.1	210.0	2.6	161.6	-4.1	3.5
Bulgaria	BBB+ Stable	A1	BBB	-	BBB	2.6	19.5	80.0	147.3	18.0	228.2	-16.1	11.0
Kazakhstan	BBB Stable	A2	BBB	-	BB	0.3	4.4	60.4	225.2	36.0	197.8	2.3	5.1
Romania	BBB- Positive	A1	BBB	BBB- Stable	BBB	-2.9	12.8	42.0	178.3	22.3	233.1	-11.9	6.9
Russia	BBB+ Stable	A2	BBB+	-	BBB	3.6	8.2	33.5	90.8	12.5	98.5	6.3	1.3
Turkey	BB- Stable	Ba1	BB-	BB- Stable	B	-2.0	60.9	52.3	194.8	37.6	340.6	-7.9	4.6
Ukraine	BB- Negative	Ba3	BB-	-	BB	-2.6	17.5	44.7	105.6	17.5	207.5	-3.6	4.2

Sources: Moody's Investors Service; EIU - The above figures are estimated for 2007



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	5.25	09-May-07	No change	28-Jun-07
Eurozone	Refi Rate	4.00	06-Jun-07	Raise 25bps	05-Jul-07
UK	Base Rate	5.50	10-May-07	No change	05-Jul-07
Japan	O/N Call Rate	0.50	15-Jun-07	No change	12-Jul-07
Australia	Cash Rate	6.25	03-Jul-07	No change	07-Aug-07
New Zealand	Cash Rate	8.00	06-Jun-07	Raise 25bps	25-Jul-07
Switzerland	3 month Libor target	2.50	14-Jun-07	Raise 25bps	13-Sep-07
Emerging Markets					
China	One-year lending rate	6.57	18-May-07	Raise 18bps	N/A
Hong Kong	Base Rate	6.75	08-Aug-06	No change	N/A
Taiwan	Discount Rate	3.125	21-Jun-07	Raise 25bps	27-Sep-07
South Korea	O/N Call Rate	4.50	08-Jun-07	No change	12-Jul-07
Malaysia	O/N Policy Rate	3.50	28-May-07	No change	24-Jul-07
Thailand	1D Repo	3.50	23-May-07	Cut 50bps	18-Jul-07
India	Reverse repo rate	6.00	24-Apr-07	No change	31-Jul-07
UAE	3M EBOR	5.50	N/A	N/A	N/A
Saudi Arabia	Repo Rate	5.20	29-Jun-06	Raise 20bps	N/A
Egypt	overnight lending	10.75	10-May-07	No change	N/A
Turkey	Base Rate	17.50	14-Jun-07	No change	12-Jul-07
South Africa	Repo rate	9.50	07-Jun-07	Raise 50bps	16-Aug-07
Kenya	Central Bank Rate	8.50	15-Jun-07	Cut 150bps	Aug-07
Nigeria	Monetary Policy Rate	8.00	06-Jun-07	Cut 200bps	Aug-07
Ghana	Prime Rate	12.50	21-May-07	No change	July 07
Mexico	Target Rate	7.25	22-Jun-07	No change	27-Jul-07
Brazil	Selic Rate	12.00	06-Jun-07	Cut 50bps	18-Jul-07
Armenia	Repo Rate	4.50	N/A	N/A	N/A
Romania	Policy Rate	7.25	N/A	N/A	N/A
Bulgaria	Overdraft rate	8.40	N/A	N/A	N/A
Kazakhstan	Reverse repo rate	9.00	01-Jul-06	N/A	N/A

Source: Standard Chartered - Countries in bold updated on July 5, 2007



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