



COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

MENA

Profits of top telecom firms up 6.4% to \$4.23bn in first half

The top 10 listed telecom companies in the Middle East saw their average net profit rise by 6.4% to \$4.23bn in the first half of the year, with similar growth forecast for the second half. Profit growth during the first half was driven by high levels of disposable income in GCC countries amid historically high oil prices and rising incomes in the region. Expansion abroad further contributed to growth, with expected partial privatization of stakes in incumbent operators in Egypt and Algeria, together with additional regional mobile license auctions, likely to attract fierce competition going forward, according to industry experts. Gains across the sector in the first half were moderated by a 15% year-on-year decrease in net profit at Saudi Telecom Co., or STC, the region's largest telecom firm by market value, which lost its monopoly in Saudi Arabia's mobile market two years ago to Etihad Etisalat, or Mobily. Total assets for the telecom companies grew 53% to \$58.3bn on average during the first half of 2007, with the UAE's Etisalat topping the list as its assets grew 66% to \$14.3bn.

Source: *Zawya Dow Jones*

UAE

New trade restrictions

The United Arab Emirates has announced a new law authorizing authorities to ban or restrict goods shipments for security or foreign policy reasons. The import, export and re-export of any commodity can be banned or restricted for reasons related to safety, public health, environment, natural resources, national security or for reasons related to foreign policy, according to the legislation. A commission will be created to oversee the new rules, with membership from federal ministries and representatives from the Federation of the UAE Chambers of Commerce & Industry.

Source: *Arabian Business*

IRAN

Comments by Central Bank governor raise concerns

Newly appointed Central Bank Governor, Tahmasb Mazaheri, mentioned a plan to eliminate interest rates on loans as a way to encourage "real" banking services, provoking fears among bankers about government interference. The government formed a committee last month to study revision of banking regulations, while President Ahmadi-Nejad has urged banks to give cheap loans to those with low incomes. He said banks' profit on loans must be cut to less than the inflation rate, which officially stands at 14% and unofficially may exceed 20%. In May, he imposed rate cuts, from 14 to 12% at state-owned banks, and from 17 to 13% at private-sector banks. The change at the Central Bank is the third in the recent cabinet reshuffle after ministers of oil and industries resigned last month.

Source: *Financial Times*

KUWAIT

Income tax inevitable but not in near-term

Kuwait's Emir Sheikh Sabah Al Ahmad Al Sabah indicated that the government would eventually have to impose taxes on personal income and on state services, as oil will not last forever. The Kuwaiti leader said that state services are very costly and that taxes are considered to be a contribution from the citizen to state development, noting that strong population growth is also adding to the cost of state services. However, he did not provide a timeframe for such taxes. He added that the situation of those with low income will be taken into consideration.

Source: *KUNA*

SUDAN

UN chief holds talks with Sudan leader on Darfur

The UN Secretary General Ban Ki-moon visited Sudan and held talks with President Omar al-Beshir on September 5 to jump-start the Darfur peace process and push for the early deployment of the joint UN-African Union peacekeeping operation, which was finally agreed in July after months of objections from Khartoum. He has been pushing for negotiations alongside the peacekeeping operation, and said details were being worked out for talks between the Khartoum government and Darfur rebel groups that did not sign a May 2006 peace agreement. A UN official said the talks were likely to take place in October, possibly in Tanzania, where eight rebel groups last month agreed a common platform for negotiations with the Islamist government in Khartoum. In a potential boost to peace efforts, Ban Ki-moon said Beshir had promised to allow key rebel leader Suleiman Jamous to leave Sudan, as the veteran could act as mediator. The UN chief also visited south Sudan where he sought to consolidate a 2005 peace deal that ended two decades of civil war in Africa's largest nation. Power- and wealth-sharing provisions in the 2005 deal with the southern former rebels are seen as a potential blueprint for a Darfur deal.

Source: *AFP*

EMERGING MARKETS

Proposal for a Mediterranean Union

French President Nicolas Sarkozy proposed the creation of a "Mediterranean Union" to address common regional issues such as immigration, terrorism, environmental degradation, and economic development amongst three continents and 21 countries with a combined population of more than 400 million. It is not clear whether this will take the form of a supranational organization like the EU with the power to set national laws or merely an institutionalized forum for discussion. Also, he did not clarify how it will interact with existing regional organizations such as the EU, African Union, and Union of the Arab Maghreb to which its potential members already belong. In parallel, Spain's Foreign Minister Miguel Angel Moratinos suggested a new union that would have institutions along the lines of the EU such as a council of heads of state, a permanent commission, and even its own bank.

Source: *AFP*

AUGUST POLITICAL RISK OVERVIEW

ALGERIA

A car bomb in Larba wounded the ex-militant leader Mustapha Kertali on August 14. Al Qaeda in the Islamic Maghreb said its members were involved without leadership approval. The former head of the dissolved Islamic Salvation Army announced a new Islamist party supportive of the government reconciliation efforts. Anti-insurgency military operations in the North killed at least 16 rebels.

EGYPT

The police arrested over 75 suspected Muslim Brotherhood members, including 34 prominent leaders for suspected meetings in Alexandria, Al Sharqiya and Giza. The Cairo security court gave life sentences to 4 men for involvement in April 2005 Cairo suicide attacks; 4 more were given shorter sentences.

ETHIOPIA

The International Committee of the Red Cross withdrew from the Ogaden region early August following an expulsion order. A UN fact-finding mission arrived on August 30 to investigate suspected human rights abuses. The government released another 31 opposition members, including 4 journalists, detained after the 2005 post-election violence. Ethiopia ordered Norway to withdraw 6 diplomats, citing attempts to "destabilize" Horn; Oslo is planning to cut aid.

IRAN

Iranian and IAEA officials agreed on a timetable on August 21 to resolve the outstanding issues regarding the nuclear program. The accord released on August 27 stated that Iran resolved the UN questions regarding plutonium testing. The U.S. and others criticized the deal. The agency also confirmed that the nuclear program is expanding, but centrifuges are operating well below capacity. The U.S. disclosed on August 15 the decision in principle to blacklist parts of Iran's Revolutionary Guard Corps (IRGC) as a "specially designated global terrorist" group. The designation would cut IRGC off from the U.S. financial system, freeze assets and allow the U.S. Treasury to move against firms transacting with it.

IRAQ

The National unity government established on June 2006 fell apart early August when the largest coalition of Sunni Arab politicians, Iraqi Consensus Front, pulled out of the cabinet citing unfulfilled pledges. Its 44 MPs remain in place. Ruling parties, non-Sadr Shiite and Kurdish, claimed parliamentary majority with a new "moderate" alliance. Sunni Vice-President Tariq al-Hashemi signed a reconciliation agreement with the alliance leaders on August 26, but his Iraqi Islamic Party has not joined. Al-Qaeda in Iraq and other insurgents attacked areas outside U.S. focus. 4 coordinated blasts in remote North West Sinjar targeted 2 Yazidi villages on August 14, reportedly killing 500, constituting the deadliest attack since 2003 U.S.-led invasion. 2 car-bombs in Baghdad killed at least 67 on August 1st. Violence in Shiite areas is also on rise. Moktada al-Sadr announced on August 29 a 6-month suspension of Mahdi Army militia's operations, following 2 days of clashes with the government forces killing 52.

KAZAKHSTAN

Presidential party Nur Otan won every contested seat in the first Kazakh parliamentary poll on August 18. OSCE observers reported increased electoral violations. The trial of 30 Hizb-ut-Tahrir members arrested on religious hatred charges on December 2006 began.

SUDAN

The composition of 26,000 UN/AU force (UNAMID), authorized on July 31 was debated; after meeting with President Bashir, AU Chairperson Alpha Oumar Konare said non-African forces were not required. U.S. Special Envoy Natsios expressed doubts over AU troop skill-level. 12 rebel groups attended on August 3-6 Arusha talks with AU/UN mediators. The most significant absence was the SLM faction leader Abdul Wahid. Though full rebel reunification was not achieved, attendees reached a "common platform" for final peace talks with the government. The SPLM proposed 50/50 revenue sharing with the NCP in oil-rich Abyei as interim measure; the NCP rejected the proposition. Fighting between rival Arab tribes in Darfur continued. Khartoum expelled top Canadian and EU diplomats for "meddling in its affairs".

SYRIA

Iraqi PM Nouri Maliki visited Damascus on August 19-21, following the restoration of diplomatic ties last year. Discussions included border security and Iraqi refugees. Saudi Arabia and Syria exchanged sharp criticisms over regional roles, highlighting tensions.

TURKEY

Foreign Minister Abdullah Gul was elected president by the parliament, after a third round of voting, on August 28. Gul approved the new cabinet submitted by PM Erdogan on the next day. The new parliament, sworn on August 4, also elected the centre right veteran Koksal Toptan as speaker on August 9. 24 Kurdish nationalist deputies formed the Democratic Society Party bloc in the parliament; the leader shook hands with the right-wing Nationalist Action Party leader. Iraqi PM Maliki visited Ankara on August 7, signing memorandum of understanding on ending PKK access to Northern Iraq mountain bases. South east clashes continued where at least 5 soldiers and 15 militants were killed.

UKRAINE

The campaign for September 30 parliamentary elections began on August 2. President Yushchenko ruled out post-poll ruling coalition of his Our Ukraine bloc with PM Yanukovich's Party of the Regions. Election officials reversed the decision to bar opposition Bloc Yulia Tymoshenko's candidates from the polls, following 2 days of 1000-strong rallies. Yushchenko announced that the new constitution would be drafted, but advised against holding a referendum on election day.

YEMEN

Security forces clashed with militants near Marib on August 8, killing 4 militants. The dead included suspected mastermind of the bomb that killed 8 Spanish tourists on July 2nd.

Source: International Crisis Group



OUTLOOK

WORLD

Global growth set at 3.4% in 2007, developing markets to grow by 6.4%

The United Nations Conference on Trade and Development (UNCTAD) expected the expansion of the world economy to maintain its momentum for the fifth consecutive year, with an estimated global GDP growth of 3.4% in 2007 compared to 4% in 2006, while developing markets are forecast to grow by 6.4% this year compared to 6.9% in 2006. It noted that developing countries, including many of the poorest ones, should continue to benefit from strong demand for primary commodities. Africa is set to continue growing at around 6% in 2007, while growth rates in Latin America and West Asia are expected to slow down slightly to about 5%. The fastest growing regions of the world economy will remain East and South Asia, with growth of 8% and 7.5% respectively due mainly to the strong performances of China and India. It considered that this pattern is likely to continue in the years to come, given their high investment ratios, and provided that the inevitable correction of global imbalances does not occur at the expense of a major recession in the United States, one of the largest markets for Asian exports.

UNCTAD warned that the main risks for continued global economic expansion come from the failure to address the current global imbalances. It said the outlook will be rather bleak if the present slowdown in the U.S. economy deepens and it slips into a recession, and if the main surplus countries, despite an appreciation of their currencies, do not initiate much greater expansionary policies based on domestic demand, rather than on net exports.

Source: UNCTAD

EMERGING MARKETS

Limited impact of financial crisis on emerging economies

The Institute of International Finance considered that the ongoing deterioration in the U.S. housing and mortgage finance markets has affected emerging markets through a series of transmission mechanisms, but that the impact has been limited so far. It said global risk appetite fell sharply, leading to a rise in credit spreads. Also, the damage done to longer-term economic growth in emerging economies and whether U.S. mortgage damage affects the growth of mortgage markets in emerging economies will take more time to play out. Another uncertainty is whether recent turmoil has led to financial losses for investors domiciled in emerging economies that have not yet become publicly acknowledged. It added that the uncertainties to the global economic outlook have pushed up virtually all measures related to perceived risk in global markets such as implied equity risk premiums, currency volatilities and credit spreads. Despite all these linkages, emerging financial markets have so far been remarkably resilient to turmoil in mature markets, and the recent repricing of risk on emerging market external debt is remarkably small by historic standards.

According to the IIF, the solid performance reflects improved growth, inflation and balance of payments conditions across

most emerging market economies, sharply reduced borrowing needs, and the accumulation of large stocks of official external assets. As a result, almost all key emerging market vulnerability indicators are much more favorable today than they were on the eve of the three major emerging market crises in the recent past. Also, an increasing amount of emerging market issuance has been carried out by corporate rather than sovereign borrowers, and much of this borrowing was to finance acquisitions. It is likely that this form of emerging market borrowing will be curtailed in the months ahead, but this would not constitute a threat to emerging market growth and could even serve to shield commodity-exposed emerging economies in the event of a downturn in global commodity prices in 2008-09 or beyond.

In parallel, the IIF warned that a number of emerging economies, especially in Emerging Europe, are still running sizeable external imbalances, which leave them somewhat vulnerable should a sudden stop in capital flows occur in the weeks and months ahead. It noted that countries with large foreign participation in the local bond market such as Hungary and Turkey, excessive current account deficits like Romania, or heavy borrowing by local banks such as Russia, Ukraine and Kazakhstan remain vulnerable.

Source: Institute of International Finance

IVORY COAST

IMF supports economic recovery program, calls for improved competitiveness

The International Monetary Fund's Article IV Consultation expected the Ivory Coast's GDP to grow by 1.7% in 2007 and 3.3% for 2008, and forecast inflation at 2% this year and 3% in 2008. It welcomed the end of the country's civil conflict and called on authorities to implement policies to promote early recovery in the post-conflict period. It noted that the authorities' program provides a sound and strong initial framework for establishing macroeconomic stability and catalyzing donor support. The IMF welcomed the program's focus on measures to promote economic recovery, rebuild government services, and ensure transparency in public resource management. It stressed the importance of reviving structural reforms over the medium term to enhance private sector development and improve competitiveness. It noted that the country's real exchange rate is in line with its equilibrium level and underscored that sustained growth will require improvements in competitiveness and further diversification of the economy, including stronger growth in non-traditional exports to offset the projected decline in oil exports and rapid growth in the demand for imports. The Fund considered that strengthening the financial sector will be critical for securing macroeconomic stability and higher growth. This will require improvements in financial supervision and in the judiciary environment for loan recovery. It stressed the need for better compliance with prudential norms, and welcomed the audit of the state-owned National Investment Bank. The Fund also noted that the Ivory Coast is in debt distress and encouraged the authorities to establish the necessary good track record for it to be considered for assistance and debt relief under the Highly Indebted Poor Countries Initiative.

Source: International Monetary Fund

ECONOMY & TRADE

SYRIA

New brokerage firm gets preliminary license

The Syrian Commission on Financial Markets and Securities extended a preliminary license to the Diamond Group to operate as a financial intermediation firm on the upcoming Syrian stock exchange. Diamond will operate with a capital of SYP50m, or about \$1m, and will offer brokerage services only. The final approval is expected to be given in a few weeks. Syrian investors will hold 55% of the capital and three Egyptian partners will hold a combined 10%. They include Pharaonic Brokerage Company, the strategic partner in the venture. The balance will be sold in an initial public offer.

Source: *Syria Report*

MOROCCO

Renault-Nissan to build €600m car manufacturing facility

French carmaker Renault-Nissan signed a contract with the Moroccan government to invest a total of €600m to build a manufacturing factory near the Tangier Mediterranean port complex. The new facility will have the capacity to produce 200,000 cars per year that will be eventually raised to 400,000 cars. The project is expected to create 6,000 direct and 30,000 indirect jobs. Initially the factory will produce cheaper cars for developing markets under the Renault-Dacia brand and small utility vehicles under the Nissan brand. About 90% of the plant output will be for exports and the remaining 10% for the Moroccan market. Renault already has a major presence in Morocco, where it produces the low-cost Logan car.

Source: *Reuters*

UAE

IPO requirement lowered

A new law authorized family-owned firms to list only 30% of a company's capital on the stock market, therefore allowing owners to retain 70% of shares after an initial public offering. The new law lowers the ceiling for IPOs from the existing 55% of the capital in order to encourage UAE nationals to list their family-owned companies while retaining majority control of their firm.

Source: *Gulf News*

ARMENIA

Annual GDP growth at 12.1% in July

Preliminary data from the National Statistical Service shows that annual GDP grew by 12.1% in the first 7 months of 2007 compared to a year-on-year growth of 11.2% in June. Supply of services, excluding trade, increased by 17.9% annually, while construction output surged by 19.2% year-on-year and retail trade turnover increased by 10.8% over the same period. Meanwhile, the industrial sector expanded by only 1.3% during the January-July period. The economy is set to post its sixth year in a row of expansion at double-digit rate. GDP data so far this year signals a moderating rate of expansion compared to the annual growth of 13.4% achieved in 2006, and next year should see annual growth moderating further toward more sustainable rates.

Source: *Global Insight*

KAZAKHSTAN

GDP growth to average 9.1% in 2008-10

The Ministry of the Economy and Budget Planning submitted to the government its economic development plan for 2008-10 and projected GDP growth of 9.6% in 2008, 9.2% in 2009 and 8.6% in 2010. The main scenario is based on an oil price of \$60 per barrel for Brent. Annual inflation is expected to be maintained within 6-8% during the period. The document submitted to the government also contained an assumption for the average tenge exchange rate against the US dollar during 2008-10 of USD:KZT 121.5. This forecast points to an annual average real effective exchange rate appreciation of around 7%. The 2007 budget law assumption for USD:KZT was 117.

Source: *Credit Suisse*

BELARUS

Agencies issue first time ratings

Standard & Poor's assigned to the Republic of Belarus long-term foreign currency credit rating of 'B+' with a stable outlook. It also assigned long-term local currency sovereign rating of 'BB' and short-term sovereign rating of 'B'. The new S&P rating is four notches below investment grade. S&P said the ratings reflect unusually large contingent liabilities for the sovereign due to the state-dominated economic structure, weak external liquidity and foreign reserve coverage of external payments, as well as the centralized nature of the country's political system.

In parallel, Moody's Investors Service assigned a foreign currency country ceiling of 'Ba2' as well as foreign and local currency debt ratings of 'B1'. It also assigned a foreign currency bank deposit ceiling of 'B2' along with a local currency country ceiling and a local currency bank deposit ceiling of 'Baa3'. All ratings carry a stable outlook. Short term ratings of 'not prime' were assigned to all ratings. Moody's said it's quite probable that foreign currency borrowing by both government and state-owned enterprises will grow significantly in the coming period, as low government debt burden allows for accommodating additional external borrowing.

Source: *Standard & Poor's, Moody's Investors Service*

RUSSIA

S&P affirms ratings, outlook stable

Standard & Poor's affirmed its long-term 'BBB+' foreign currency and 'A-' local currency sovereign credit ratings on the Russian Federation. In addition, the short-term 'A-2' foreign and local currency ratings, the 'A' transfer and convertibility assessment, and the 'ruAAA' Russia national scale rating were all affirmed. The outlook is stable. The agency said the ratings reflect Russia's increasing foreign reserve coverage, very low general government debt, and impressive recent GDP growth, including non-commodity GDP. But S&P warned that the sovereign rating could eventually come under downward pressure if external leveraging persists amid a narrowing of Russia's current account surplus and an absence of banking sector reforms. It added that a smooth passage through next spring's political transition, followed by a reversion to fiscal prudence, could further bolster Russia's creditworthiness.

Source: *Standard & Poor's*



BANKING

SYRIA

Qatar National Bank-Syria to offer 32.5% in IPO

Qatar National Bank-Syria announced it will offer 32.5% of its \$100m capital in an initial public offering. Qatar National Bank received in July preliminary approval from Syrian authorities to open a bank in the country, and signed at the start of September the final agreement to establish Qatar National Bank-Syria. QNB will have a 49% stake in the new bank and Syrian founders will have a 15.5% stake including the Social Security Fund (10%), Savings Bank (3%) and the Popular Credit Bank (2.5%), while two Syrian individual investors will hold a 3% stake. The bank is expected to start operations in early 2008. The Qatari government owns 50% of QNB.

Source: *The Peninsula*

KUWAIT

NBK to raise capital by \$1.45bn

National Bank of Kuwait stated it plans to increase its share capital by 20%, or \$1.45bn, by the end of this year through a rights issue to shareholders. The bank's board of directors will propose at the General Assembly Meeting, scheduled on September 23rd, the approval of a 20% increase in the bank's capital. The decision is intended to support the bank's strategic regional expansion and to pay for recent acquisitions in Turkey and Egypt.

Source: *Reuters*

UAE

Largest Chinese bank to establish local presence

The Industrial & Commercial Bank of China Ltd. (ICBC) announced plans to open a branch in the United Arab Emirates. ICBC is China's largest bank by assets, loans and deposits. The branch will be the bank's first in the Middle East, and is part of a strategy to boost its activities in the region. The bank's president said the bank plans to raise its profile in the region, which could be done through acquisitions of local banking institutions. The bank hopes to benefit from closer relations with the Middle East as business between the two regions increases. ICBC's assets totaled \$962bn at the end of 2006.

Source: *Dow Jones Newswires*

LIBYA

\$400m bank to be established

The government's Economic & Social Development Fund signed a Memorandum of Understanding with the Abu Dhabi-based First Gulf Bank to establish a commercial bank in Libya called the Gulf Libyan Bank. The new bank will be fully managed by First Gulf and will have an authorized capital of \$400m and paid up capital of \$200m. First Gulf said in a statement that the two entities will equally own the bank. First Gulf is one of the largest banks in the UAE with total assets of \$15.6bn as at end-June 2007. A 2005 law authorized foreign banks to establish a direct presence in the country but the sector remains dominated by state-owned banks.

Source: *Reuters*

ALGERIA

Technical bids for Crédit Populaire to be opened in October

Finance Minister Karim Djoudi declared that technical bids by six foreign banks competing to buy a 51% stake in Crédit Populaire d'Algérie (CPA) will be opened in early October. CPA, one of Algeria's largest state-owned banks, opened its books to potential bidders last June as part of its planned privatization by the Algerian government. BNP Paribas, Crédit Agricole, Société Générale, Natixis, Citigroup and Banco Santander are bidding for CPA. Analysts believe the 51% stake in CPA could yield as much as \$1.5bn. Based on the results of the technical bids, authorities will determine which of the six banks will be allowed to make financial bids for CPA. Authorities said the purpose of the sale is not to raise money for the government as such, but rather to strengthen CPA as a national bank and regional player. CPA has 129 branches and employs about 4,600 people.

Source: *APS*

ARMENIA

Central Bank keeps policy rate unchanged

The Central Bank of Armenia (CBA) kept the refinancing rate, its key policy rate, unchanged at an annual rate of 4.75% in August as current inflation pressure remains moderate. But the CBA expressed concerns about upward price pressure due to strong domestic demand and did not rule out a rise in interest rate, which would depend on near-term economic developments. The latest data showed that consumer price inflation in Armenia moderated to 2.2% year-on-year in July, after rising annually to 4.8% in June, while inflation for the January-July period was 4.2%. The CBA is implementing inflation targeting policy, and has been coordinating its policy with the government's fiscal decisions, in order to keep inflation in check. Also, inflation targeting in Armenia at present implies letting the dram appreciate strongly, as strong demand in the fast growing economy adds to price pressures.

Source: *ARKA News, Global Insight*

RUSSIA

Foreign liabilities of banking sector excessive

The First Deputy Governor of the Central Bank of Russia declared that the relative size of the banking sector's foreign currency liabilities, at about 15% of total assets, is "certainly too high", adding that the sector's total foreign liabilities reached \$103bn as of July 1, 2007. He said that some banks' foreign debt was far in excess of 15% of their assets, but stressed that these were not dominant banks. The official suggested that banks need to consider ways to substitute part of foreign borrowing with domestic financing, possibly with the help of the state or development institutions. The warning about the large foreign liabilities of the banking sector was the first from a senior public-sector official. It likely reflects the concern of the CBR about the recent deterioration of the external economic environment for banks and the impact of the liquidity squeeze in the financial sector on individual banks. He estimated capital outflows at about \$10bn so far in August.

Source: *Credit Suisse*



ENERGY / COMMODITIES

Oil rises over \$76 as U.S. stockpiles seen falling

U.S. crude rose 45 cents to \$76.18 a barrel, after gains of 65 cents on Wednesday. London Brent crude was up 42 cents at \$74.76 a barrel. U.S. crude oil stocks are expected to have slipped 500,000 barrels in the week to August 31, after Hurricane Dean disrupted Mexican oil exports, while gasoline stocks were seen falling by 1.3 million barrels. The ageing U.S. refining system has strained to keep up with demand in its summer season, draining inventories after a string of unplanned outages. Supply worries were compounded by expectations that the Organization of the Petroleum Exporting Countries will maintain output curbs when it meets on September 11 in Vienna. Most OPEC members have said that the recent rally in oil prices is due to a shortage of refined products and an output boost would only add to what they call comfortable stock levels.

Some analysts expect stronger demand in the fourth quarter of the year, causing a supply crunch unless OPEC boosts production. Traders are also keeping an eye on the storm season in the Gulf of Mexico, with the Colorado State University forecasting a busy rest of the 2007 Atlantic hurricane season. Prices this week have climbed towards a record-high of \$78.77 hit on August 1, as Hurricane Felix threatened the Gulf of Mexico. But Felix has since been downgraded to a tropical depression after pounding Honduras, and is not seen affecting Mexico's major oilfields.

Source: Reuters

Syria to lift energy subsidies

Syrian authorities announced that subsidies on oil byproducts will be gradually lifted starting in 2008 until the end of 2012 when local prices will be determined by international market prices. In 2008, mazout (light fuel oil), the most expensive subsidized item, will increase to SYP 12 (\$0.24) per liter from SYP 7/l currently. Gasoline prices will be lifted from SYP 30/l to SYP40, while the cost of a bottle of domestic gas should be lifted to SYP250 from SYP145 currently. Meanwhile, fuel should be sold at SYP7,500 per ton. The program is expected to generate savings of \$1.2bn in the first year. The Government plans to provide financial compensation to help the population sustain the cost increase.

Source: Syria Report

Iran signs contract with Belarus

Iran has signed a contract with Belarus to allow Minsk to extract oil from the country's southern Jofeir oilfield. The \$450m deal is aimed at producing 40,000 barrels of oil per day from the Jofeir deposit. It will be implemented in 24 months.

Source: Reuters

Turkey eyes Iraq gas fields

The general manager of Turkey's pipeline company Botas, said his firm plans to develop gas fields in northern Iraq to strengthen supplies for the Nabucco pipeline project. He said more opportunities will be available in Iraq as soon as its government passes a new petroleum law to regulate its reserves.

Source: Reuters

Base metals: Economic data determined trading this week

Base metals ended the week on a mixed note. At the beginning of the week, weaker U.S. data renewed concerns about the economic outlook and thus about demand for base metals. Moreover, rising copper inventories weighed on copper prices as well. However, after the announcement of the Commerce Department that the U.S. economy grew at the fastest pace in more than a year, investors' sentiment toward the complex improved. Copper and nickel prices ended the week higher, while aluminum prices were flat and zinc lost some ground. With the prevailing uncertainty on the financial markets, further outflow of liquidity might be triggered when losses occur in other markets. However, the sector is expected offer a good entry opportunity again toward the end of the third quarter.

Source: Credit Suisse

Precious metals: Despite long liquidations, platinum prices recovered

Precious metals traded higher during this week amid speculation of a cut in U.S. interest rates that would weaken the dollar. The recent sell-off in the equity market had triggered strong liquidation activity in the platinum market. Nevertheless, since mid-August, platinum prices have increased, despite further liquidations. Prices were supported by ongoing concerns that supply can't keep pace with demand, as supply disruptions at major platinum producers have reduced the estimated supply of refined platinum, while demand for the precious metal from the car industry is still strong. The tighter supply/demand balance should be supportive for platinum prices, while the risk for profit-taking has been lowered with the liquidations in the net speculative long positions. However, in the shorter term, the developments on the equity market will impact investor's sentiment toward the market, as demand for platinum would be negatively affected if the subprime crisis spills over into the real economy.

Source: Credit Suisse

Commodities price developments	level	6m ave	12m ave	mom%	yoy%
Economist commodity price index	200.3	200.5	191.2	-3.5	16.7
LME metals price index	3765.8	4039.9	3867.2	-6.4	3.8
Oil prices USD	73.5	67.0	63.4	-4.2	4.7
Oil prices SDRs	48.0	44.1	42.1	-4.2	1.7
Gold \$/troy oz	667.4	665.0	643.9	0.8	7.9
Silver cents/troy oz	1186.0	1307.2	1287.9	-6.8	-3.0
Platinum \$/troy oz	1266.0	1274.8	1214.3	-0.3	2.9
Copper \$/MT	7394.5	7468.7	7085.4	-6.2	-0.9
Nickel \$/MT	27762.5	41928.1	38215.3	-8.7	-12.7
Aluminium \$/MT	2458.3	2715.1	2713.5	-8.1	1.0
Zinc \$/MT	3018.8	3508.8	3681.4	-13.7	-9.5
Steel - HR coil dry \$/MT	600.0	600.0	600.0	0.0	0.0

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
	-	-	-	-	Stable								
Angola	-	-	-	-	B	1.8	16.9	21.6	22.0	11.4	216.9	22.7	4.6
	-	-	-	-	Positive								
Egypt	BB+	Ba1	BB+	BB+	B	-7.5	91.5	24.7	119.2	5.8	118.0	1.4	5.1
	Stable	-	-	Stable	Stable								
Ethiopia	-	-	-	-	CCC	-5.7	77.9	23.7	128.7	2.7	246.1	-16.5	2.2
	-	-	-	-	Stable								
Ghana	B+	-	-	-	B	-3.1	38.6	26.9	86.5	2.7	152.4	-6.7	-
	Stable	-	-	-	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								
Mauritania	-	-	-	-	-	-2.3	105.9	78.9	123.4	4.5	-	-2.6	-
	-	-	-	-	-								
Morocco	BB+	Ba1	BBB-	BB+	BB	-2.7	55.9	24.0	130.8	9.6	75.3	4.0	1.9
	Positive	-	-	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	Baa2	BBB	BBB	BBB	-2.9	54.8	54.7	134.2	15.2	260.1	-1.6	2.7
	Stable	-	-	Stable	Stable								
Middle East													
Bahrain	A	A2	A-	A-	A	6.1	25.8	129.0	63.1	5.8	750.7	9.9	12.1
	Stable	-	-	Stable	Stable								
Iran	-	-	B+	-	B	-11.1	24.1	5.2	20.3	3.2	25.4	3.1	0.0
	-	-	-	-	Stable								
Iraq	-	-	-	-	D	-0.3	-	111.9	195.7	3.8	-	4.7	-
	-	-	-	-	Stable								
Jordan	BB	Ba2	-	BB	B	-3.4	73.2	89.0	137.0	6.6	221.6	-13.6	12.6
	Stable	-	-	Stable	Stable								
Kuwait	AA-	Aa2	AA-	AA-	A	33.3	9.2	17.9	32.8	2.0	106.2	39.3	-4.5
	Stable	-	-	Stable	Stable								
Lebanon	B-	B3	B-	B-	CCC	-13.1	174.6	101.6	492.5	14.8	242.6	-10.8	4.7
	Negative	-	-	Negative	Stable								
Oman	A	A2	-	BBB+	A	10.1	7.7	17.2	19.8	5.9	113.7	8.6	2.0
	Stable	-	-	Stable	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	AA-	A1	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	-	Aa3	-	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	-	Ba2	BB-	-	-	-3.3	17.6	27.1	210.0	2.6	161.6	-4.1	3.5
Bulgaria	BBB+ Stable	Baa3	BBB	-	BBB	2.6	19.5	80.0	147.3	18.0	228.2	-16.1	11.0
Kazakhstan	BBB Stable	Baa2	BBB	-	BB	0.3	4.4	60.4	225.2	36.0	197.8	2.3	5.1
Romania	BBB- Stable	Baa3	BBB	BBB-	BBB	-2.9	12.8	42.0	178.3	22.3	233.1	-11.9	6.9
Russia	BBB+ Stable	Baa2	BBB+	-	BBB	3.6	8.2	33.5	90.8	12.5	98.5	6.3	1.3
Turkey	BB- Stable	Ba3	BB-	BB-	B	-2.0	60.9	52.3	194.8	37.6	340.6	-7.9	4.6
Ukraine	BB- Negative	B1	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	07-Aug-07	No change	18-Sep-07
Eurozone	Refi Rate	4.00	02-Aug-07	No change	06-Sep-07
UK	Base Rate	5.75	02-Aug-07	No change	06-Sep-07
Japan	O/N Call Rate	0.50	23-Aug-07	No change	19-Sep-07
Australia	Cash Rate	6.50	04-Sep-07	No change	02-Oct-07
New Zealand	Cash Rate	8.25	25-Jul-07	Raise 25bps	12-Sep-07
Switzerland	3 month Libor target	2.50	14-Jun-07	Raise 25bps	13-Sep-07
Emerging Markets					
China	One-year lending rate	7.02	21-Aug-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	5.00	09-Aug-07	Raise 25bps	07-Sep-07
Malaysia	O/N Policy Rate	3.50	24-Aug-07	No change	30-Oct-07
Thailand	1D Repo	3.25	29-Aug-07	No change	10-Oct-07
India	Reverse repo rate	6.00	31-Jul-07	No change	31-Oct-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	22-Aug-07	No change	N/A
Turkey	Base Rate	17.50	14-Aug-07	No change	13-Sep-07
South Africa	Repo rate	10.00	16-Aug-07	Raise 50bps	11-Oct-07
Kenya	Central Bank Rate	8.75	08-Aug-07	Raise 25bps	Oct-07
Nigeria	Monetary Policy Rate	8.00	01-Aug-07	No change	Oct-07
Ghana	Prime Rate	12.50	27-Aug-07	No change	Oct 07
Mexico	Target Rate	7.25	24-Aug-07	No change	21-Sep-07
Brazil	Selic Rate	11.50	18-Jul-07	Cut 50bps	05-Sep-07
Armenia	Repo Rate	4.75	N/A	N/A	N/A
Romania	Policy Rate	7.00	26-Jun-07	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 September 6, 2007



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (961) 338 100
Fax: (961) 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com.lb

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh Beirut,
Elias Sarkis Avenue- Byblos Bank Tower
P.O.Box: 11-5605
Riad El Solh Beirut 1107 2811
Phone: (+961) 1 335200
Fax: (+961) 1 339436

BELGIUM

Byblos Bank Europe S.A
Bussels Head Office
10, Rue Montoyer
B-1000 Brussels - Belgium
Phone: (+32) 2 551 00 20
Fax: (+32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

SYRIA

Byblos Bank Syria S.A
Abu Roummaneh Head Office
Al Chaalan - Amine Loutfi Hafez Str.
P.O.Box: 5424
Phone: (+ 963) 11 9292 - 3348240 / 1 / 2 / 3 / 4
Fax: (+ 963) 11 3348207
E-mail: byblosbanksyria@byblosbank.com

ENGLAND

London Branch
Berkeley Square House - Suite 5
Berkeley Sq.
GB - London W1J 6BS (U.K.)
Phone: (+44) 207 493 35 37
Fax: (+44) 207 493 12 33
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa Ltd.
Khartoum - Sudan
El Amarat -Street 21
P.O.Box: 8121 - El Amarat - Khartoum - Sudan
Phone: (+249) 183 566 444
Fax: (+249) 183 566 454
E-mail: byblosbankafrica@byblosbank.com

FRANCE

Paris Branch
15 Rue Lord Byron
F- 75008 Paris (France)
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60,
Near Sports Stadium
P.O.Box: 34 - 0383 Erbil, Iraq
Phone: (+ 964) 66 2233457 / 9
Fax: (+ 964) 66 2233458
E-mail: iraqbranch@byblosbank.com.lb

CYPRUS

Limassol Branch
1, Arch. Kyprianou / St. Andrew Street
P.O.Box 50218
3602 Limassol , Cyprus
Phone: (+357) 25 341433 / 4 / 5
Fax: (+357) 25 367139
E-mail: bybloscyprus@byblosbank.com

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 - Abu Dhabi
Phone: (+ 971) 2 6336400
Fax: (+971) 2 6338400
E-mail: byblosbankuae@byblosbank.com

