

**Report# 100**

**BUSINESS AND POLITICS IN THE MUSLIM WORLD**

**Fertile Crescent**

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**From 25<sup>th</sup> December- 2<sup>nd</sup> January, 2009**

**Presentation:6<sup>th</sup> January, 2010**

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**Outline**

**Summary**

**Egypt**

**Political front:**

- MB deputy supreme guide resigns
- NDP policies council conference discusses elections

**Geo strategic front:**

- Hezbollah leader blasts Egypt over Gaza barrier
- Egypt says no Mideast peace talks until halt of settlements
- Netanyahu in Cairo to discuss resumption of peace process
- US seeks to relaunch Mideast peace talks, say diplomats
- Netanyahu to Cairo as US pushes Mideast peace
- Gaza activists begin hunger strike as they await entry into Egypt

**Economic front:**

- Egypt launches industry-focused SME fund
- Orascom Telecom rallies, Egypt index up
- Egypt's central bank holds interest rates steady
- Egypt's Mobinil to issue \$273 mln in bonds

**Social front:**

- Egypt launches new campaign to lure tourists
- Possible contender for Brotherhood's top position reluctant to take the job
- Poverty tops challenges facing Arab world, says UNDP report
- Five swine flu deaths bring Egypt tally to 122

**Iraq**

**Political front:**

- Defense and security allocations to surge in 2010 budget
- Elections' commission singles out 15 countries for Iraqis abroad to vote
- Iraqi legal system puts new emphasis on forensics
- Iraqi vice president calls for stronger security measures

**Geo strategic front:**

- Arab representation in Iraq 'low': Al Hashimi
- Iraq faces test as US pullout looms
- Jordan supports Iraq's stability, unity - PM Al-Refai

**Economic front:**

- Iraq to import Iranian gas to feed power plants
- Iran troops withdraw 50m from oil well
- Iraqi, Iranian forces stand off in oil well row

## **Social front**

- Iraq security adviser warns of Al-Qaeda threat

## **Lebanon**

### **Political front:**

- Nasrallah has no intention of 'Lebanonizing' Hezbollah
- Moussawi says Nasrallah's speech meant to reassure rather than provoke
- Jumblatt: We are Arabs first and foremost
  
- Lebanon's National Dialogue talks to resume in March
- March 14 Forces Criticize Nasrallah's 'Nervous Advices' to Christians
- Suleiman: Political Crises Can't Threaten Stability Anymore

### **Geo strategic front:**

- Jumblatt: Haret Hraik explosion confirms Israeli aggressions against Lebanon
- Geagea: No-return to war in Lebanon
- Jumblatt: Dahiye Incident Proves Persistence of Israeli Aggressions Against Lebanon
- Suleiman Holds Talks with Sarkozy on Saturday
- Hayek predicted that sleeper cells would be active and carry out operations.

### **Economic front:**

- The Lebanese pound will be stable in 2010, banking system is safe
- Michel Hayek Predicts More Reconciliations, Security Tension and Economic Prosperity

### **Social front:**

- Lebanese Decadence?

## **Summary**

### **Egypt**

**Political front;** Mohamed Habib, deputy supreme guide of the Muslim Brotherhood, resigned from his posts in the group in opposition to the recent Guidance Office elections, from which he was left out. Habib resigned from his positions as deputy supreme guide, member of the MB's International Guidance Office and member of the International Advisory (Shoura) Council for the group.

Constitutional reforms and an amendment to Article 76 were some of the discussions dominating the National Democratic Party's supreme policies council conference this weekend. Speaking to the press following the conference, Gamal Mubarak, head of the policies committee, and Safwat El-Sherif, general secretary of the NDP, refused to enforce any amendments to the constitution, encouraging any candidate that meets the criteria to run in the next presidential elections. There are no guardians on this country; the last constitutional reforms opened the door for competition on the highest position in the state which is a positive sign; people can talk as they wish but only the legislative framework has the last word," he added.

**Geo strategic front;** Israeli Prime Minister Benjamin Netanyahu discussed efforts to revive the stalled Middle East peace process with Egyptian President Hosni Mubarak, but Cairo said talks can only start when Jewish settlement activity stops. **Social front;** The Ministry of Tourism presented this week a new advertising campaign to lure tourists to Egypt. The previous campaign, "The Gift of the Sun," launched in 2006 to mixed

reviews. Some criticized the fact that the campaign did not emphasize Egypt's universally known antiquities, focusing instead on the appeal of its climate and the warmth of its people.

Reportedly one of the strongest candidates for the next Supreme Guide of the Muslim Brotherhood, Rashad Bayoumi told that he prefers not to be nominated for the position. The Ministry of Health announced five more swine flu deaths, raising the H1N1 death toll in Egypt to 122. All five cases are women: a 61-year-old from Giza, a 48-year-old from Alexandria, a 35-year-old from Kafr El-Sheikh, a 34-year-old from Damietta and a 23-year-old from Qaliubeya.

### **Iraq**

**Political front;** There will be a substantial increase in allocations for the ministries of defense and interior in the 2010 budget, Interior Minister said. Jaber did not give specific figures but said the government was determined to "develop the combat and security capabilities of the two ministries to fight terror and crime and reinstate the authority of law across the country." The Iraqi elections' commission on Saturday singled out 15 countries for Iraqis abroad to vote in for the upcoming elections.

**Geo strategic front;** When political decision-making in Baghdad is deadlocked, American diplomats lean on Iraqi party leaders. When an Iraqi military unit is in trouble on a counter-terrorism raid, it calls on the US Army for help. Most US troops will be withdrawn by August 31, 2010, he has said, and the rest - numbering no more than 50,000 - will be gone by December 31, 2011. **Economic front;** Iranian soldiers have withdrawn 50m from an oil well along the southern Iraqi-Iranian border, an Iraqi official confirmed to reporters on a tour of the well yesterday. Ali Maarij, general director of Iraq's Naft Maysan Company, the Iraqi company responsible for developing the wells, confirmed to reporters on the tour that the Number 4 oil well, and all wells on the Fauqa oilfield, were under Iraqi control.

### **Lebanon**

**Political front;** Nasrallah made four mistakes in his Ashura speech. He, once again, overstepped his boundaries in the context of the Lebanese system of sectarian compromise by taking an entire religious community to task when no one asked for his counsel. He addressed, therefore implicitly criticized, Christians in general, forgetting that his beef was allegedly only with a minority that once sided with Israel. He sounded threatening.

March 14 forces general-secretariat lashed back at Hizbullah Secretary-General Sayyed Hassan Nasrallah over his last speech on the occasion of Ashoura, saying they were surprised by Nasrallah's "unconcealed threats and nervous advices" he addressed to the Christians.

### **Geo strategic front:**

President Michel Suleiman is expected to meet with his French counterpart Nicolas Sarkozy in Paris, media reports said. The meeting will take place following Sarkozy's return to the French capital from a private vacation. **Economic front;** Riad Salameh , Central Bank Governor told OTV that Lebanon can take advantage of the increase in the price of gold, adding that the Lebanese currency will be stable in 2010 and that the country's banking system is safe from any problems in the near future.

### **Detailed news**

## **Egypt**

### **Political front:**

#### **MB deputy supreme guide resigns**

Daily News Egypt: January 1, 2010: Mohamed Habib, deputy supreme guide of the Muslim Brotherhood, resigned from his posts in the group in opposition to the recent Guidance Office elections, from which he was left out. Habib resigned from his positions as deputy supreme guide, member of the MB's International Guidance Office and member of the International Advisory (Shoura) Council for the group. He also stated in his resignation that he does not want to be nominated for the position of Supreme Guide, which the Guidance Office is currently mulling and is expected to announce before Jan. 13. Early last week, the Muslim Brotherhood elected 16 new members to its Guidance Office who will lead the group for a four-year term. The Guidance Office is the group's highest authority, and is headed by the Supreme Guide, a post currently held by Akef. The new members include prominent Muslim Brotherhood members Mahmoud Ezzat, Essam El-Erian and Saad El-Katatney. Abdel-Moneim Aboul Fotouh and deputy leader Habib are not part of the new board. At the time, numerous reports tipped Habib to be the group's next supreme guide. According to Hussein Ibrahim, head of the MB's parliamentary bloc, Habib had to resign from his position as the deputy supreme guide because it is mandatory that the person holding this title be a member of the Guidance Office. On the group's official website, Supreme Guide Mohamed Mahdi Akef said that while Habib is "a dear friend and colleague," the resignation of any MB member, even if it is the Supreme Guide himself, will not affect the group. Habib had told Al-Jazeera that he intended to dispute the decision to speed up the process of choosing a new Supreme Guide because he was not informed of the new appointments. He also told Egyptian daily Al-Shorouk that there was a split in the Brotherhood between a group that demands a more active role on Egypt's political scene and another that wants to maintain the status quo. Others, including Habib and Aboul Fotouh, have called for more participation in mainstream politics which has become a contributing factor to their being sidelined, he said.

#### **NDP policies council conference discusses elections**

Daily News Egypt: December 27, 2009: Constitutional reforms and an amendment to Article 76 were some of the discussions dominating the National Democratic Party's supreme policies council conference this weekend. Speaking to the press following the conference, Gamal Mubarak, head of the policies committee, and Safwat El-Sherif, general secretary of the NDP, refused to enforce any amendments to the constitution, encouraging any candidate that meets the criteria to run in the next presidential elections. "The NDP is preparing for the parliamentary elections next year according to the amendments in Article 76 of the constitution that the party adopted in 2005," Mubarak said. "There are no guardians on this country; the last constitutional reforms opened the door for competition on the highest position in the state which is a positive sign; people can talk as they wish but only the legislative framework has the last word," he added. Former chief of the International Atomic Energy Agency, Mohamed ElBaradei and General Secretary of the Arab League Amr Moussa have called for amendments in the constitution, opening a window for them to run in the 2011 elections. Emad Gad, political analyst at Al-Ahram Center for Political and Strategic Studies, said that reforms in the constitution will depend on the NDP's candidate in the next presidential elections. "If

President Hosni Mubarak runs in the elections, there will be no changes but if Gamal Mubarak is the NDP's candidate then there will be a strong campaign calling for amendments," Gad told Daily News Egypt. "The NDP is the only entity that can decide whether there will be amendments or not because it has the majority of MPs at the People's Assembly and the Shoura Council," he said, adding however that "it is still too early to tell." El-Sherif stressed that President Hosni Mubarak is the party's candidate for any presidential elections in the future. "He is the one who can decide. Thanks to him, we witnessed the biggest move for change in the party that resulted in the youth taking over 65 percent of the party's positions," he said. Press coverage of the conference varied. While independent daily Al-Dostour focused on Mubarak's and El-Sherif's comments regarding the constitution, state-owned Al-Ahram highlighted the NDP's future policies regarding its electoral program and the upcoming parliamentary elections. "The next six months will witness the largest follow up campaign to the party's programs as well as the execution several political, economic and social initiatives," Mubarak said. Initiatives include a LE 10 billion stimulus package to the economy and a total restructuring of healthcare system and a new legislation for pensions and insurances. El-Sherif said that the NDP's candidates in the parliamentary elections will be chosen based on their efficiency and interaction with the people, adding that nepotism won't be tolerated.

### **Geo strategic front:**

#### **Hezbollah leader blasts Egypt over Gaza barrier**

AP: December 28, 2009: The leader of Lebanon's Hezbollah militant group has accused Egypt of "choking off an entire people" by building an underground barrier meant to stop smuggling goods and weapons to Gaza. Sheikh Hassan Nasrallah says Egypt should be condemned by all Arabs if it continues installing the barrier. Egypt is under fire from Arab and Muslim groups for cooperating with Israel in its blockade of Gaza. The barrier would tighten the blockade imposed on Gaza after the militant group Hamas seized control of the territory in 2007. Nasrallah spoke Sunday by satellite to supporters at a rally marking Ashoura, Shia Islam's most important religious holiday. -AP

#### **Egypt says no Mideast peace talks until halt of settlements**

AFP: December 30, 2009: Israeli Prime Minister Benjamin Netanyahu discussed efforts to revive the stalled Middle East peace process Tuesday with Egyptian President Hosni Mubarak, but Cairo said talks can only start when Jewish settlement activity stops. "The talks were very positive," Egyptian Foreign Minister Ahmed Aboul Gheit told reporters after the meeting. "We have seen that the Israeli prime minister wants to move ahead [with negotiations], and he insists on moving ahead, but we insist on an agreed platform," Aboul Gheit said. "There are conditions... we will not negotiate while settlement continues," he said. Egypt also wants to see a defined time frame for the talks. "Any negotiation, for which a basis and a goal are agreed, must have a time-frame," Aboul Gheit said. The two leaders also discussed a prisoner swap between Israel and the Palestinians that would see the release of hundreds of Palestinian prisoners in exchange for Gilad Shalit, an Israeli soldier captured by Gaza militants three and half years ago. Aboul Gheit said the deal was still "suspended" and that a Hamas delegation currently in Syria, was to head back to Cairo for talks with officials on the issue. -AFP

### **Netanyahu in Cairo to discuss resumption of peace process**

Agence France-Presse: December 29, 2009: Israeli Prime Minister Benjamin Netanyahu arrived in Cairo on Tuesday for talks with Egyptian President Hosni Mubarak on US efforts to revive stalled Middle East peace negotiations. But the talks were overshadowed by Israel's announcement that it had invited tenders for the construction of hundreds of new homes for Jewish settlers in annexed Arab east Jerusalem, which drew an angry rebuke from Egypt. Foreign Minister Ahmed Aboul Gheit said that continued settlement construction by Israel in the occupied territories was "torpedoing the efforts being made to relaunch negotiations aimed at establishing a Palestinian state." "Such behavior raises questions about the serious willingness of Israel to reach a definitive agreement and leads one to believe that Israel is trying to welsh on its obligations for a just and lasting peace," he said in a statement carried by the official MENA news agency. Israel has invited tenders for the building of 692 new homes in the Jerusalem settlements of Neve Yaacov, Pisgat Zeev and Har Homa, the independent Channel 10 television reported on Sunday. The announcement prompted key ally the United States to express its opposition and the European Union to call for a rethink. The Egyptian foreign minister had identified the future of east Jerusalem, which Israel captured in the 1967 Middle East war and later annexed in a move never recognized by the international community, as one of the key issues that Mubarak would raise in his talks with the Israeli prime minister. "We will listen to his points of view and we will inform him that a fair settlement must be reached on the Palestinian refugee problem and east Jerusalem," Aboul Gheit said. He said he would visit Washington in January for talks on the peace process as US President Barack Obama's administration was said to be drafting letters of guarantee for Israel and the Palestinians to serve as a basis for relaunching the talks which have been stalled for almost a year. Washington was currently in talks with the Palestinians and Egypt — a key US ally in the region — over the letters, a Western diplomat said. Former Israeli left-wing MP Yossi Beilin told AFP that Netanyahu was nearing an agreement with the US administration on the principles of the negotiations. These principles include "a real, albeit indirect commitment by Netanyahu to negotiate Palestinian demands to return to the 1967 borders," including the future status of Jerusalem, according to Beilin. Netanyahu was also ready to accept the US demand that the peace negotiations would be limited to 24 months, said Beilin, who was among the initiators of the 1993 Oslo accords. Netanyahu's spokesman Mark Regev said in reaction that "Mr Beilin only speaks for Mr Beilin." Egypt had already asked for written US guarantees before peace talks resume, in order to ensure their aim is the establishment of a Palestinian state within 1967 borders. Netanyahu announced last month a 10-month moratorium on new housing projects in Jewish settlements in the rest of the West Bank but it does not apply to east Jerusalem. Nor does it include public buildings or construction already under way. The Palestinians have rejected the moratorium, saying it falls far short of their demand for a complete halt of settlement activity in the whole West Bank.

### **US seeks to relaunch Mideast peace talks, say diplomats**

AFP: December 28, 2009: The United States is drafting two letters of guarantee for Israel and the Palestinians to serve as a basis for the relaunch of stalled Middle East peace talks, Arab and Western diplomats in Cairo said. "US special envoy George Mitchell will

present two draft letters of guarantee, one for Israel and one to the Palestinian Authority during his next visit to the region,” one Arab diplomat told AFP. “The United States are hoping that the two letters will serve as a basis for the relaunch of Israeli-Palestinian negotiations but we don’t know if they will satisfy the Palestinians who want a complete freeze of settlement activity before talks resume,” the diplomat said. The United States is currently in talks with the Palestinians and Egypt — a key US ally in the region — over the letters, a Western diplomat said. Washington is hoping that “the two letters will allow for the relaunch of negotiations,” which have been suspended for almost a year, the diplomat said. Israeli Prime Minister Benjamin Netanyahu, who is expected in Cairo on Tuesday, last month announced a 10-month moratorium on new housing starts in Jewish settlements in the occupied West Bank in a move he said was aimed to helping to kick-start the peace talks suspended during the Gaza war at the turn of the year. The moratorium does not include public buildings, construction under way and does not apply to occupied and annexed east Jerusalem, which Israelis consider part of their capital, but which the Palestinians want as the capital of their promised state. The Palestinians have rejected the moratorium, saying it fell far short of their demand for a complete halt of settlement activity in the whole West Bank, including annexed east Jerusalem. –AFP

### **Netanyahu to Cairo as US pushes Mideast peace**

Agence France-Presse: December 28, 2009: Israeli Prime Minister Benjamin Netanyahu is due in Cairo on Tuesday as Washington is drafting documents to serve as a basis for resuming Israeli-Palestinian peace talks. Netanyahu will hold talks with Egyptian President Hosni Mubarak and other senior officials, Egyptian sources said. Egypt’s foreign minister Ahmed Aboul Gheit said on Sunday that the talks in Cairo would focus on “ways to advance peace efforts.” “We will listen to his points of view and we will inform him that a fair settlement must be reached on the Palestinian refugee problem and east Jerusalem,” he said, referring to two key issues in the peace talks. “We are also preparing for a visit I will make to Washington (in January), and in the context of these talks (Egypt) must listen to the positions of the Israelis and the Palestinians,” he told reporters. Egypt’s latest moves come as US President Barack Obama’s administration was said to be drafting letters of guarantee for Israel and the Palestinians to serve as a basis for the relaunch of peace talks which have been stalled for almost a year. “US special envoy George Mitchell will present two draft letters of guarantee, one for Israel and one to the Palestinian Authority during his next visit to the region,” one Arab diplomat in Cairo told AFP. The United States is currently in talks with the Palestinians and Egypt — a key US ally in the region — over the letters, a Western diplomat said. Egypt had already asked for written US guarantees before peace negotiations could resume, in order to ensure that their aim is the establishment of a Palestinian state within 1967 borders. “The beginning of negotiations must come either with a complete freeze of settlement activity, which we continue to demand, or if we receive unequivocal guarantees that a Palestinian state will be established along the borders of 1967 including Jerusalem,” Aboul Gheit said in November. Netanyahu last month announced a 10-month moratorium on new housing projects in Jewish settlements in the occupied West Bank in a move he said was aimed at helping kick-start the peace talks suspended during the Gaza war at the turn of the year. The moratorium does not include public buildings or construction under way and does not apply to occupied and annexed east Jerusalem, which Israelis consider

part of their capital. The Palestinians have rejected the moratorium, saying it fell far short of their demand for a complete halt of settlement activity in the whole West Bank, including annexed east Jerusalem, which they want as the capital of their promised state.

### **Gaza activists begin hunger strike as they await entry into Egypt**

Daily News Egypt: December 27, 2009: Members of the Viva Palestina convoy stuck at the Gulf of Aqaba began a hunger strike to commemorate the one-year anniversary of the Israeli offensive on Gaza as they awaited entry into Egypt. Fifteen people from the convoy began the hunger strike at 11:35 am Jordan time to mark the exact moment when Israel began bombarding Gaza. For each day the convoy is not allowed to enter Gaza, another 15 people will join the hunger strike. Convoy leader British Respect MP George Galloway made an appeal to allow the convoy to travel through to Gaza via Egypt, saying, "I am appealing to anyone and everyone to help us reach Gaza. Our medicines are in a race against the time of their expiry date and are spoiling in the desert sun whilst people in Gaza die for the want of them." The third edition of the Viva Palestina convoy, named Lifeline 3, is currently in Jordan at the Gulf of Aqaba, having arrived there last Tuesday. The convoy consists of some 210 vehicles laden with aid for Gaza, accompanied by some 500 activists, including 150 from Turkey, 30 from the US and a number from Europe. Egypt has continued to refuse permission for the Gaza aid convoy, which also includes Noam Chomsky and Holocaust survivor Hedy Epstein, to dock in the port of Nuweiba, insisting that it must head by sea to the port at the city of Al-Arish. For the convoy to travel to Al-Arish as opposed to Nuweiba, it would need to travel all around the Sinai peninsula and up through the Suez Canal, instead of just traveling across the Gulf of Aqaba to dock in the port of Nuweiba. On Saturday, CodePink member traveling with convoy Ann Wright, a former US army colonel, told AP that Egypt was refusing entry on "security" grounds and appealed to the government to rescind the decision, adding that it was not "in the best interests of Egypt." The Israeli offensive on Gaza that began Dec. 27, 2008 led to the death of 1,400 Palestinians (including 400 children and 200 women) and the injury of another 5,000. The Viva Palestina convoys have traveled across the globe to transport aid, food and medical supplies to people in the Gaza strip. Gaza has been under a blockade for two and a half years, since Hamas took control of the territory. Meanwhile it was announced that Israeli Prime Minister Benjamin Netanyahu would visit Cairo Tuesday to meet with President Hosni Mubarak. Netanyahu stated that discussion would center on the peace process but it is believed talks would also encompass the prisoner exchange Egypt is mediating between Hamas and Israel.

### **Economic front:**

#### **Egypt launches industry-focused SME fund**

Daily News Egypt: December 30, 2009- The Industrial Modernization Center (IMC) and the Arab African International Bank (AAIB) announced the creation of a LE 500 million fund for small and medium enterprises (SMEs). Minister of Investment Mahmoud Mohieldin and Minister of Trade and Industry Rachid Mohamed Rachid attended the inauguration of the fund, as well as Adham Nadim, chairman of the IMC, and Hassan Abdallah Chairman of the AAIB. Nadim explained that although the IMC was a

“catalyst” for the fund’s creation, it only provides 10 percent of the funding, leaving the fund managers at AAIB to select companies that receive funding based on their economic viability. Nadim restated the goal to double Egyptian exports over the next four years, much of which will be produced by SMEs, but “that plan will only materialize if SMEs receive an injection of an additional LE 60 billion,” he warned. Entrepreneurs and small business owners have been receiving more recognition as a crucial sector of the Egyptian economy. A recent report in this month’s Financial Times attributes 70 percent of the Egyptian GDP and 50 percent of total employment to SMEs. According to the UNDP’s Egypt Human Development Record for 2008, the numbers are even higher, at 80 percent of GDP and 75 percent of employment. Nadim explained that the fund is intended for medium enterprises, those too small to court the attention of large investment banks with projects worth billions, but too large to benefit from the LE 2 million loans made available by the Social Fund for Development. Nadim explained the hardships of medium sized companies in need of loans between LE 3 million to LE 20 million. “We shopped around for equity funds of this size, but anything less than 30 million is not worth the time of the fund manager. We tried convincing some equity funds to lower their minimum, but we had no leverage with them. So we launched a new wave of equity funds that target just this bracket.” The current AAIB fund joins other funds established with the assistance of the IMC, although Nadim pointed out that it is the first mezzanine fund in Egypt. Mezzanine financing allows the debt holder, in this case AAIB, to require a higher return for its investment than other finance structures, given the high level of risk. Although enthusiastic about the new fund, Nadim called it, “just a drop in the sea.” Creating a culture of risk-taking, either by starting a new company or investing in one, is one of the primary challenges faced by institutions like the IMC, as well as for any businessperson looking to undertake a risky project. Egypt’s notoriously less-than-fertile entrepreneurial soil is further hobbled by hesitancy of investors to take a chance on startups. Dina Khayyat, managing director for Arab African Investment Management, tried to clear up the misperception that startup companies are doomed to fail: “People who have launched businesses and sustained them, have done so without help from anybody,” she stated. Ahmed Ezzat, managing director of Endeavor, a non-profit geared at promoting and supporting entrepreneurship, did not try to downplay that capital invested in startups is high-risk. He emphasized instead the necessity of removing the stigma associated with failure. Although Endeavor Egypt was not involved in the creation of the fund, which Ezzat pointed out its non-profit status would prevent, regardless, he does welcome the move. Although the fund provides needed assistance, it is not the first example of coordinated financial support for SMEs. In 2000 the European Investment Bank (EIB) granted a €50 million loan to the Industrial Development Bank of Egypt, earmarked for SMEs. A joint initiative between the Canadian International Development Agency (CIDA) and Business Development Services Support Project (BDSSP) is another in a long list of examples. As Ezzat argues, it takes more than throwing money at the problem. In his opinion, one of the most crucial areas in creating a business culture that welcomes innovation and risk taking is education.

### **Orascom Telecom rallies, Egypt index up**

Reuters: December 29, 2009: Index heavyweight Orascom Telecom rallied 6.5 percent on Tuesday after two sessions of losses, driving Egypt's benchmark index higher. "It's a

normal rebound because the stock has fallen in the past two days. But it is trading at very low volumes," said Ashraf Akhnoukh, trader at CIBC Brokerage. Orascom Telecom, which on Monday said it paid \$120 million against a \$596.6 million Algerian tax claim in order to file an appeal with the Algerian government, had dipped 9.7 percent in the last two days. It said it hoped to recover the amount. "Investors have different points of view regarding Orascom Telecom ... and the stock is volatile," said Karim Hosny of Pharos Securities. Sister company Orascom Construction Industries rose 0.4 percent and EFG-Hermes 1.4 percent. "These stocks are just following Orascom Telecom," Akhnoukh said. The index climbed 1.7 percent to 6,258 points. –Reuters

### **Egypt's central bank holds interest rates steady**

Daily News Egypt: December 27, 2009: Egypt's central bank last week held corridor interest rates at the same level for the second consecutive time, at 9.75 percent lending and 8.25 percent deposit. After vigilant defense from economic stagnation caused six rate cuts since February, the Monetary Policy Committee's (MPC) last reduction came in September, which brought the benchmark rate to its lowest level since 2006. Seeing inflation fall to 9 percent in August, down from 23.7 percent in August 2008, the MPC finally held rates steady in early November, and at its most recent meeting on December 24, decided to maintain them. Although inflation rose in October to 13.3 percent, the monthly change in headline inflation was negative in November for the first time since December 2008. In addition, real growth rose from 4.1 percent in the second quarter of 2008/09 to 4.9 percent in this, the first quarter of 2009/10. The MPC said in a statement that, "there are encouraging signs that the outlook for the international economy appears to have improved... This, coupled with the domestic fiscal and monetary measures taken so far, will continue to provide a conducive environment for the domestic economy." However, the MPC warned, "It is important to underscore that the December inflation outturn is expected to reflect unfavorable base effects from last year, which has already been factored into the CBE's assessment of the monetary policy stance." Investment bank Beltone Financial stated in a note that, "We had expected inflation could rise to around 15 percent by January 2010, due to base effects, before declining to around 10 percent, on average, in the remainder of 2010. Reporting on the meeting prior to hearing its outcome, Reuters quoted EFG-Hermes analyst Simon Kitchen on his expectations for rates to remain steady, "Growth is still well below trend for 2005-2007. Inflation seems to be stabilizing and core inflation is within, we think, their comfort zone." Core inflation is currently up slightly from 6.5 percent in October to 6.6 percent in November, but does fall with the 6 to 8 percent zone that CBE considers acceptable. Analysis by HC Brokerage stated "an increase in the price of fruits and vegetables," excluded from the core CPI index for their volatility, as being the "main driver of the hike in inflation." They conclude that the headline and core inflation rates grow more disparate. Ola El-Khawaga, professor of economics at Cairo University, expressed ambivalence at the steady rate and expressed criticism of the process of calculation for the inflation rate: "In fact, the numbers they use cannot be considered entirely accurate. In my opinion, the manner of ascertaining the level of core inflation should be revised to reflect the pattern of consumption of the Egyptian household." Magdy Sobhy of the Al-Ahram Center for Political and Strategic Studies previously criticized the CBE for keeping rates too low. At the announcement of the recent decision, Sobhy maintained his opinion that with the

inflation rate riding at over 5 percent more than the interest rate, investors will decide against depositing surplus cash in the banks. Yet he explained that the usual receptacle for excess cash, the housing sector, will face the first serious effort to implement a property tax. By early next year real estate will represent a less appealing alternative for investment, particularly as suspicions and mistrust about the new property tax simmer quietly. The tax, which will affect Egyptians possessing property worth more than LE 450,000, looks to affect only about 10 percent of the population, according to Tarek Farag, chairman of the Real Estate Tax Authority. Thus far, resistance to the tax has not been overly vocal. However, investors may quietly move their money away from the real estate market, once Egypt's prize cash cow. Questioned about where those with extra money will put it, Sobhy half-heartedly suggests the gold market. However he considers this a waste, when the money could otherwise be tilled into economic development and increasing liquidity. He expressed frustration at the policy, but did acknowledge that, "A low interest rate encourages people to invest in the private sector... They need to keep government debt under control by paying less interest."

### **Egypt's Mobinil to issue \$273 mln in bonds**

Reuters: January 1, 2010: Egyptian mobile telephone operator Mobinil will issue LE 1.5 billion (\$273.3 million) in 5-year bonds starting mid-January, the bond's underwriter EFG-Hermes said. The bonds, which Mobinil will use to finance the expansion of its network, will have a fixed annual yield of 12.25 percent payable once every six months, said Karim Awad, head of EFG-Hermes investment banking. They will be marketed mainly to non-bank financial institutions inside and outside Egypt. The regulator, the Egyptian Financial Services Authority, has approved the issue, which will be officially announced on Thursday, Awad added. Under Egyptian rules, the issue must begin 15 days after the announcement. The issue will probably close by the end of January, Awad said. The central bank has blocked Mobinil, which holds the largest share of Egypt's mobile market with almost 25 million subscribers, from accessing bank lending as it considers it part of one of its major shareholders, Orascom Telecom. Under Egyptian banking laws, banks are allowed to lend only a certain portion of their total loans to any one client.

### **Social front:**

#### **Egypt launches new campaign to lure tourists**

Daily News Egypt: December 29, 2009: The Ministry of Tourism presented this week a new advertising campaign to lure tourists to Egypt. The previous campaign, "The Gift of the Sun," launched in 2006 to mixed reviews. Some criticized the fact that the campaign did not emphasize Egypt's universally known antiquities, focusing instead on the appeal of its climate and the warmth of its people. The new campaign, announced Monday, has the slogan "Egypt: where it all begins," and highlights the Pyramids, Sphinx and other uniquely Egyptian attractions while not failing to mention Egypt's "aquatic paradise." Tourism to Egypt was down 3.5 percent at the end of November, according to Omayma El-Husseini, Ministry of Tourism spokesperson. However, she described tourism figures as having, "picked up beautifully" in recent months. "Last January

tourism was down 13 percent,” she explained, “Still by August it was down 9 percent. By September it was less than 5 percent. We’ve seen the numbers getting better and better.” Total tourists to visit Egypt as of November 2009 reached almost 11.5 million, with expectations that the number for the year will reach 12.5 to 12.8 million. November alone saw 1.23 million visitors, according to Reuters’ quote of El-Husseini. There will be challenges in 2010, regardless of any advertising campaign; she told Daily News Egypt, “It will likely take three to five years for the price cycle to return to normal.” However, El-Husseini clarified that “hotels are not lowering their prices. They are offering special packages to attract clients, but prices are the same.” This seems reflected in the new campaign, with high quality graphics and animation on the Ministry of Tourism’s website, [www.egypt.travel](http://www.egypt.travel). The latest campaign appears an attempt to balance Egypt’s cultural offerings with its opportunities for sunbathing. In the word “Egypt,” the “key of life” is used for the letter “T.” The slogan “Where it all begins” seems another reference to Egypt’s status as a “cradle of civilization” (as it is called on the website). However, the healthier tourism figures seen at the end of 2009 are driven primarily by those seeking sun and sand at the Red Sea resorts. Visitors from Germany, Italy and Russia comprised the latest upswing, and although many do take time to tour Egypt’s antiquities, many come simply for the beach. One trend observed globally is that if people choose to travel, they often decide to save money by taking shorter trips. On a tight schedule, many tourists may feel they do not have time to spare on sites like Luxor, visiting only the Pyramids and then heading for the beach. This seems especially true of Russian tourists, one of Egypt’s most promising tourist markets. Egypt expects to host more Russian tourists, as economic conditions in Russia allow more people to travel abroad. Outbound Russian tourist numbers were up 25 percent from 2005 to 2007. Although the economic crisis has slowed the tide, the relative strength of the Russian economy as the crisis recedes caused the World Tourism Organization to predict that by 2020 Russia will be the 10th most important country worldwide for sending tourists abroad. Recent agreements between Egypt and Russia to encourage Russian tourism means that Egypt, currently ranked third among Russians’ preferred travel destinations, may soon climb to number one. However, one challenge pointed out by El-Husseini has little to do with economic conditions. She said that the Ministry of Tourism has minimal ability to affect people’s perceptions about health concerns, that any such measures carried out are the responsibility of the Ministry of Health. Asking airline passengers to fill out a card about their health status upon entering the country, for example. Such measures may increase more anxiety than they relieve, especially as once the cards are handed in, no apparent effort is made to contain or check passengers who may be exhibiting flu-like symptoms. Egypt’s highly publicized decision to kill the country’s population of pigs, despite evidence that the animals do not carry the disease, also did little to allay fears. Still, the Minister of Tourism, Zoheir Garranah predicted “full recovery by the third quarter of 2010,” in a statement. El-Husseini listed such efforts as sending invitations to travel writers from all over the world as examples of the measures the ministry is taking to attract attention to Egypt as a prime tourist destination for culture buffs and sunbathers alike.

### **Possible contender for Brotherhood’s top position reluctant to take the job**

Special to Daily News Egypt: December 27, 2009: Reportedly one of the strongest candidates for the next Supreme Guide of the Muslim Brotherhood, Rashad Bayoumi told Daily News Egypt that he prefers not to be nominated for the position. "This is a difficult mission for one to carry, it's not an honorary position," he said in a telephone interview. Speculation over the next leader of Egypt's most powerful opposition group has increased recently as the current leader Mohamed Mahdi Akef announced his decision not to extend his tenure when his term ends in January. Newspapers have published conflicting reports regarding Akef's successor, naming Bayoumi, Mohamed Habib, the former secretary general of the group, and Mohamed Badaa as the three main contenders. While state-owned Al-Ahram reported that Bayoumi was going to be the next leader, the London-based Saudi newspaper Al-Sharq Al-Awsat quoted the former spokesman of the group Kamal El-Helbawy as saying that Badaa will take over. Other reports however, claimed that Habib, who was excluded from the Guidance Office, is the strongest candidate. Bayoumi denied all reports, saying that no one has yet been chosen. "There is no competition between us and there are no candidates as most people think; the members of the Guidance Office nominate who they believe is best in a consensus vote," he said. The opposition Al-Wafd newspaper said in its Sunday edition that the Brotherhood has ordered a media blackout on news of the identity of the next Supreme Guide, but senior Brotherhood deputy Essam El-Erian denied the allegation. "Nowadays, the media has nothing to talk about but the Muslim Brotherhood. How can there be a media ban?" he told Daily News Egypt. According to El-Erian, the new supreme leader will be named before Jan. 13. A recent study conducted by the Arabic Center for Studies and Research said that the Muslim Brotherhood is living its toughest crisis in 81 years as a result of disputes related to the nomination of members of the Guidance Office and the new Supreme Guide. The study said that the nominations were criticized for being dominated by old school members and excluded the reformists. Bayoumi, however, disagreed with describing the reported rift within the group as reflecting "disputes." "They can't be considered disputes," he said. "They are differences in opinion that demonstrate how healthy the inner working of the group is."

### **Poverty tops challenges facing Arab world, says UNDP report**

Daily News Egypt: December 29, 2009: Combating poverty is one of six major challenges facing Arab countries, which are lagging behind in achieving the Millennium Development Goals (MDGs) by 2015 as originally planned, according to the United Nations Development Program's (UNDP) latest report. "The rate of progress towards achieving the MDGs in Arab countries does not live up to the aspirations of Arab peoples to witness a necessary development boost," said Mona Hammam, deputy regional director of the UNDP Regional Bureau for Arab States. The report, "Development Challenges in the Arab States: A Human Development Approach," is a collaborative effort between the League of Arab States, the UNDP, and a number of Arab experts. In addition to poverty reduction, the report also highlights institutional reform, job creation, the promotion and financing of pro-poor growth, the reform of educational systems, economic diversification, and increased food security and self-sufficiency within existing environmental constraints as major challenges facing the Arab world. "Dealing with these challenges requires the adoption of comprehensive development model based on the human development approach which considers freedoms as the basis for

development,” says the report. “The Arab Economic and Social Summit in Kuwait expressed a broad consensus among Arab leaders on the importance of improving the rates of development and meeting its challenges as an essential condition to achieving social and economic security for the Arab region, which is no less important than meeting the challenges facing its national security,” said Secretary General of the Arab League, Amr Moussa, in his introduction to the report. “The summit adopted two important resolutions based on the analyses and findings of the report ... The first called on Arab states to adopt specific programs to reduce poverty with specific projected targets over the next four years, while the second called for establishing a regional program to monitor progress towards achieving the Millennium Development Goals (MDGs) in the Arab States,” he added. The report was launched on Dec. 20 as part of the 29th session of the Council of Arab Ministers of Development and Social Affairs. It is divided into two parts, the first discusses the challenges of social and economic development from the perspective of comprehensive development methodologies and the second examines the challenge of food security in detail. The first part shows that the development record of Arab countries over the past three decades has been a mixture of both successes and failures. There are two main successes; for the majority the states human deprivation has declined significantly and human development indicators have shown significant improvement for the region as a whole. And secondly, there is still a relatively low-to-medium level of income poverty and income inequality. On the other hand, the development failures outlined in the report exceed successes. Failures include the low and erratic economic growth, the highest unemployment rates worldwide, failure to improve the education system, and major setbacks in the state of food security and agriculture. In addition, one of the development failures stated in the report is “the fact that Arab less-developed countries (LDCs) are still lagging far behind on poverty and MDGs and it is doubtful that any of them will be able to achieve these goals by 2015.” “The report provides ample data and serious analyses that delineate a specific and practical course of action towards the achievement of Arab development,” Hammam said. “Today, as we enter the last five-year stretch to the set deadline for achieving the MDGs, what is needed is a political will that prioritizes development as an urgent need, which requires a business unusual approach, focusing on existing development gaps of priority and on urgent and decisive action to address them,” she added. In the food security section, the report pointed out that the main problem facing Egypt in that regard is that the annual growth rate of food production is far below that for food consumption. Whether Egyptian agriculture, given current land and water resources, would be able to face this growing demand for food depends on the ability of the Egyptian government to halt the growing encroachment of urbanization on traditional agricultural land.

### **Five swine flu deaths bring Egypt tally to 122**

Daily News Egypt: December 30, 2009: The Ministry of Health announced five more swine flu deaths Wednesday, raising the H1N1 death toll in Egypt to 122. All five cases are women: a 61-year-old from Giza, a 48-year-old from Alexandria, a 35-year-old from Kafr El-Sheikh, a 34-year-old from Damietta and a 23-year-old from Qaliubeya. On the other hand, Governor of Cairo Abdel Azim Wazir ordered 13 schools in the governorate closed along with nine classes in different schools where cases of swine flu were reported.

According to the latest swine flu weekly report released by the Ministry of Health, the number of cases in Egypt reached 10,056. These include 3,990 cases among school students and 529 university students. The number of recovered patients reached 9,828, which is over 97 percent of the total number of cases.

## **Iraq**

### **Political front:**

#### **Defense and security allocations to surge in 2010 budget**

Azzaman, December 30, 2009- There will be a substantial increase in allocations for the ministries of defense and interior in the 2010 budget, Interior Minister Baqer Jaber said. Jaber did not give specific figures but said the government was determined to “develop the combat and security capabilities of the two ministries to fight terror and crime and reinstate the authority of law across the country.” The parliament has yet to vote on the budget. The delay is reported to have forced ministries such as health to curtail some projects and services. Jaber said the delay may also hit the ministries of interior and defense and urged the parliament to expedite approval. However, he said the surge in money earmarked for defense and interior will be used to supply the armed forces with advanced weapons and intensify training.

#### **Elections' commission singles out 15 countries for Iraqis abroad to vote**

Kuwait News Agency December-27-2009- The Iraqi elections' commission on Saturday singled out 15 countries for Iraqis abroad to vote in for the upcoming elections. Urging Iraqis abroad to positively interact with its bureaus stationed in these countries, commission member Sardar Abdulkarim said that the countries are Syria, Jordan, the UK, Sweden, Germany, the UAE, Australia, Lebanon, Iran, the United States, Denmark, Canada, Egypt, the Netherlands and Turkey. The Irbil-based commission will work on providing Iraqis abroad with needed information, in order for them to effectively participate in the process, he pointed out. Parliamentary election is planned in Iraq on March 7, 2010.

#### **Iraqi legal system puts new emphasis on forensics**

Kuwait Times December-29-2009- Vital clues are often lost after deadly bombings in Iraq, where scenes of carnage are quickly hosed down and bodies whisked away for burial, but this is changing with a new emphasis on forensic investigation. Three new main forensics laboratories and two smaller ones have become fully operational this year and the legal system, which has long relied on confessions, sometimes given under duress, is taking steps towards more evidence-based prosecution. It is a confession-based system. But if the suspect is confronted with scientific evidence such as fingerprints from a crime scene, it's better than getting a screamed confession under duress," said Robert Lamburne, director of forensic services at the British embassy in Baghdad. Britain, the United States, Australia and other Western countries have been providing training and equipment for Iraqi judges and investigators, who have a heavy workload in a country where bombings and shootings are commonplace. Evidence is better. It's that which gets

to the truth of the matter," Iraqi Judge Ibrahim Abdul Latif said at a seminar aimed at better utilising forensic evidence in Iraqi law. Lamburne said there was initial reluctance from some judges, mainly older ones, to embrace new methods such as DNA analysis. Years of war and sanctions have isolated Iraq's security forces from modern technology and techniques. Iraqi and US officials say courts have a relatively low conviction rate because of lack of evidence and credible confessions. We have few qualified cadres ... When there's a bomb, you'll see US forces come and search for the smallest, tiniest piece of evidence," said Judge Khalil Hashem Saleh, of Iraq's Supreme Judicial Council. "Unfortunately, our forces don't pay attention and push the evidence aside, so the courts do not reach a decision. US troops have withdrawn from Iraq's urban centres, part of a plan to pull out fully by the end of 2011. That will leave Iraqi forces to take the lead. Their competence has been called into question by a series of high-profile bombings in recent months aimed against government centres in Baghdad and killing hundreds of people. However, overall violence has declined sharply in the past two years since the worst of the sectarian bloodshed unleashed by the 2003 US invasion. American soldiers are sometimes on the scene after bombings and help local forces analyse forensic evidence. Less frequent violence could allow Iraqi forces to move from simply trying to keep order after attacks to seeking to find those responsible. "You have to remember in Baghdad that we've had so many attacks, such disorder, there's been less priority, I think, given to criminal investigation and more to just public order," said a U.S. embassy official who declined to be identified. Now we're starting to see protocols designed for crime scene response and a budding of forensics investigations and capabilities." The main forensics labs are in Baghdad, Basra and Arbil, and deal with ballistics, DNA, chemical and biological analysis and fingerprints. There are two smaller labs in Hilla and Mosul.

### **Iraqi vice president calls for stronger security measures**

Kuwait News Agency December-31-2009- The Iraqi Vice President, Adil Abdulmahdi, called here on Thursday for innovating new integrated military and security plans to face the deteriorating security situation across the country. He was making a statement of condemnation on Wednesday's bloody attacks, especially in Al-Anbar governorate which killed and injured scores of people, and in Al-Khalis town which left six people dead.

The official said the country witnessed a series of attacks in recent months, especially in Baghdad, and the last which took place on holy day of Ashorah, marking the anniversary of the slaying of Imam Hussian for the Shiites, show the need for new security planning and more intensive intelligence effort. They also stress the need for cooperation between the public and the authorities. He also called for coordinating and intensifying diplomatic efforts in regional and international arenas, to work for issue of international resolutions condemning terrorism in Iraq, and to consider such attacks as war crimes and as crimes against humanity. He also urged more cooperation with neighboring countries to limit cross-boarder terrorist activity.

### **Geo strategic front:**

#### **Arab representation in Iraq 'low': Al Hashimi**

The Peninsula December-26-2009- Iraqi Vice President Tariq Al Hashimi said on Thursday that he had constructive talks with the Emir H H Sheikh Hamad bin Khalifa Al Thani and the Deputy Emir and Heir Apparent H H Sheikh Tamim bin Hamad Al Thani. The talks, he said, covered ways of developing bilateral relations between the two countries as well as the developments in Iraq and other issues of mutual concern. Al Hashimi went on to say: "The role of Qatar in Iraq and the support of the Emir to the Iraqi people, particularly in the current difficult situations, deserve all praise, appreciation and gratitude." He expressed confidence that the Emir would be able to help normalise relations between Iraq and the other GCC states and overcome problems. Al Hashimi said the constructive and fruitful discussions he had with the Emir dealt with the internal situation in Iraq and ways to help the country normalize its ties with the GCC countries as well as Qatar's role in helping Iraq resolve the challenges that are currently confronting the country. Asked by Qatar News Agency (QNA) on whether Iraq was satisfied with the Arab support and on his expectation of the Arab summit scheduled for next March, Al Hashimi said his country was dissatisfied with the support provided by Arab States, describing the Arab representation in Iraq as "low". Arab States dispatched a small number of diplomatic missions with limited activity when compared to those of European Union and the United States of America, he said. Al Hashimi expressed his regret regarding the failure of previous Arab summits to attach much importance to Iraq, noting that until this moment no unified Arab stance on how to deal with Iraq was reached during Arab summits. He said that the security, political and economic challenges that Iraq is facing were beyond its capacity and that the Iraqi people are now looking forward to a unified Arab position that would help them overcome these challenges. "We will be happy when Arab countries reconsider their policies toward Iraq and stand by the Iraqi people," he added.

### **Iraq faces test as US pullout looms**

Gulf Times December-29-2009- When political decision-making in Baghdad is deadlocked, American diplomats lean on Iraqi party leaders. When an Iraqi military unit is in trouble on a counter-terrorism raid, it calls on the US Army for help. The US Army builds schools, trains criminal investigators and guards borders in Iraq. In other words, the superpower is still involved in the detail of everyday Iraqi life. US President Barack Obama, however, is winding down Washington's costly assistance to Baghdad, whose governing institutions were smashed by the US Army when it invaded in 2003. Most US troops will be withdrawn by August 31, 2010, he has said, and the rest - numbering no more than 50,000 - will be gone by December 31, 2011. This, say Western observers, means Iraq must reinvent itself in 2010 if it is to survive as a viable, unified state. A co-ordinated series of blasts in central Baghdad that on December 8 left at least more than 120 dead and hundreds more injured underscored the urgency of the task. The current state of Iraqi politics is "slow, messy and factionalised, but ultimately democratic and successful in achieving the minimum necessary to carry Iraq forward without falling apart," according to a recent assessment by Sam Parker, Iraq programme officer at Washington's US Institute of Peace. Safa al-Obeidi, a former lieutenant in the Iraqi army during the Saddam era, predicted that a pullout of American soldiers would have "dangerous consequences for the security situation." Iraqi security forces are not yet sufficiently armed and trained, he said, adding that the political situation was still

unstable. The threat of terrorism has not been banished. While it is true that bombs and death-dealing militias kill fewer people now than at the peak of violence in 2006, corpses still turn up daily on the streets of Iraqi cities such as Mosul and Baquba.

### **Jordan supports Iraq's stability, unity - PM Al-Refai**

Kuwait News Agency December-31-2009- Jordanian Prime Minister Samir Al-Refai reiterated support for Iraq's stability and its territorial integrity, and rejected any attempt by any party to interfere in its internal affairs. During Al-Refai's meeting with Speaker of the Iraqi Parliament Iyyad Al-Samarrai, he stressed at the depth of historical relations between Jordan and Iraq, and he re-assured his country's desire to boost them in various fields to serve the interests of both countries and people. Al-Samarrai cherished Jordan's support to Iraq, and stressed his country's keenness to develop bilateral relations and overcome any obstacles they may encounter. Al-Samarrai assured the importance of activating the bilateral agreements of economy and commerce. Both parties discussed ways of boosting the bilateral cooperation in different sectors, as well facilitating the process of Iraqis entering the country.

### **Economic front:**

#### **Iraq to import Iranian gas to feed power plants**

Azzaman, December 27, 2009- An Iraqi delegation is to head for Tehran early next year to sign a deal for the import of Iranian gas, an electricity ministry statement said. The statement said the delegation would seek striking a long-term contract to supply gas-driven power plants with fuel particularly in southern and central Iraq. Iraqi power plants are running at below capacity due to fuel shortages. Output in southern provinces has declined to 1711 megawatts from 1850 this month. The statement said the talks would center on the construction of a gas pipeline between the countries. Iran holds the world's second largest natural gas reserves and the world's third largest proven oil reserves. The details of the deal are yet to be announced. However, it signals how dependent Iraq has become on neighboring Iran for essential supplies and goods since the 2003-U.S. invasion of the country.

#### **Iran troops withdraw 50m from oil well**

Gulf Times December-26-2009- Iranian soldiers have withdrawn 50m from an oil well along the southern Iraqi-Iranian border, an Iraqi official confirmed to reporters on a tour of the well yesterday. Ali Maarij, general director of Iraq's Naft Maysan Company, the Iraqi company responsible for developing the wells, confirmed to reporters on the tour that the Number 4 oil well, and all wells on the Fauqa oilfield, were under Iraqi control. Roughly 15 Iranian soldiers could be seen about 50m from the well. No flag, Iranian or Iraqi, flew over the oil well. An Iraqi general last week said Iranian troops had "occupied" the well, dug trenches around it, deployed armoured vehicles, and had raised the Iranian flag. Maarij denied reports that Iranian soldiers had also taken control of oil wells in the southern Iraqi city of Al Amara. Iraqi Interior Minister Jawad al-Bulani on Thursday night told Iraqi state television that Iranian troops were still on Iraqi soil, but that the government "was working to return matters to the state they were in before Iranian troops crossed the Iraqi border." In the weeks since the incident was first

reported, Iraq has seen rising protests from Iraqi Sunni leaders. Iraqi Vice President Tariq al-Hashimi, a Sunni Muslim, issued a strongly-worded protest over the reported incursion. Protests have been reported at a nearby university, and a Sunni tribal leader has announced the formation of an armed force to protect oil wells on the border.

### **Iraqi, Iranian forces stand off in oil well row**

Arab News December-27-2009- Iraqi and Iranian forces are dug in on either side of a disputed inactive oil well in the sensitive border area, with Iraqis vowing to fight if necessary to fend off another occupation of the well by Iranian soldiers. Iraqi troops say they will defend the well, where Iranian troops raised a flag for several days this month. It is unclear how many troops are involved in the standoff, but as many as 30 lightly armed Iraqi troops usually occupy border outposts in sensitive areas, and up to 10 in other areas. Some 11 Iranian soldiers are stationed near the disputed well. The seizure of the well, which Iraq says is part of its Fakka oilfield in southeast Maysan province, triggered protests from the government in Baghdad and caused a rise in prices on jittery world oil markets. The Iranian forces have since pulled back, but Iraq says they are still on its territory, stirring echoes of the border dispute that led to the eight-year Iran-Iraq war in the 1980s, in which about 1 million people died. "These wells in the Fakka region are Iraqi, and we will defend them to the last drop of blood," said Brig. Gen. Razak Abdul Hassan of the Iraqi border guards at Fakka. The Iranians are 100 meters inside Iraqi territory, he said, some 80 meters from the disputed well. Iraqi troops watch from nearby, and both sides appear to be hunkered down behind earth walls at their bleak desert outposts. Hassan said Iraq has deployed extra forces to other wells nearby, but declined to outline numbers. The well, which has only been operative briefly in the 1970s, now sits in an effective no man's land as a binational committee prepares to begin work early next year demarcating the border in the oil-producing border region. Well No. 4 was drilled in 1979 and produced about 3,000 barrels a day, a small amount for a region that is home to some of the world's largest oil reserves. The well went offline in 1980 due to the Iran-Iraq war, and has been inactive since. Yet the symbolism of the brief Iranian occupation was more serious. Fakka is part of the Maysan oilfield complex, with reserves of 2.5 billion barrels, which Iraq tried unsuccessfully to auction off to foreign oil firms this year. The mere threat of future incursions or border feuds puts more risk onto the 10 oilfield deals the Iraqi government did secure this year, some of which are near the Iran-Iraq border. Oil firms are already jittery about working in a country just emerging from years of bloodshed after the 2003 US invasion, and where bombings and shootings are still common.

### **Social front**

#### **Iraq security adviser warns of Al-Qaeda threat**

Agence France-Presse December-29-2009- Al-Qaeda in Iraq is a far smaller force than at its peak three years ago but still poses a threat in the run-up to March elections, national security adviser Safa Hussein told. Hussein said the group had fallen under the influence of diehard elements of the ousted Baathist regime of now executed dictator Saddam Hussein who were using it to try to undermine the credibility of the Shia-led government ushered in by the US-led invasion of 2003. "Recently, during the last six months, there

has been a change” in Al-Qaeda’s strategy, Hussein said, speaking in his office in Baghdad’s heavily fortified Green Zone government and diplomatic compound. Hussein said that after the US-led invasion overthrew Saddam, Baathists had joined a range of insurgent groups, including Al-Qaeda, as they offered a more potent force against the occupation troops than the Baath’s own unpopular party apparatus. Although initially Al-Qaeda in Iraq restricted former Baathists to lower ranks, it allowed them to gain positions of power after its most notorious leader, Jordanian volunteer Abu Musab al-Zarqawi, was killed in a 2006 US air strike, Hussein said. Iraqi officials have blamed Baathists working with Al-Qaeda for a series of coordinated bombings that struck public buildings in the heart of Baghdad in recent months in repeated security breaches that sparked public anger. Asked whether he expected further waves of bombings like those of August, October and December which killed nearly 400 people in total, Hussein said: “Their intention continues in this direction. The 55-year-old former engineer, who until May was deputy to Muwafaq al-Rubaie before Rubaie left the post leaving him as acting national security advisor, said that the Baathists within Al-Qaeda “have their nominees for the election.” Hussein said the number of Al-Qaeda insurgents had dropped from a peak of around 10,000 to less than 2,000 now. He estimated that foreign fighters once made up 10 percent of the group’s strength but said that proportion had since fallen sharply. He said that Saudis formed the largest group of recruits from abroad, followed by Egyptians and Libyans. He added that “rich people and influential people in Saudi Arabia” also provided much of Al-Qaeda in Iraq’s funding. Although relations between Baghdad and Riyadh remain poor — Maliki severely criticised Saudi Arabia for its “negative” stance towards Iraq last month — Hussein credited the Saudi government with taking steps to control its long desert border with Iraq. He said the same was not the case with Syria, which he charged remained a transit point for foreign fighters flying in from other Arab countries.

## **Lebanon**

### **Political front:**

#### **Nasrallah has no intention of ‘Lebanonizing’ Hezbollah**

December 31, 2009- Nasrallah made four mistakes in his Ashura speech. He, once again, overstepped his boundaries in the context of the Lebanese system of sectarian compromise by taking an entire religious community to task when no one asked for his counsel. He addressed, therefore implicitly criticized, Christians in general, forgetting that his beef was allegedly only with a minority that once sided with Israel. He sounded threatening. And he blithely ignored the fact that when he told the Christians to be Lebanese above all, he had no credibility to do so inasmuch as he and his organization come across as being Iranian above all. The Ashoura speech once again served to remind us that Nasrallah has no intention of “Lebanonizing” Hezbollah; rather he is seeking to mold Lebanon in Hezbollah’s image. It won’t work, and the secretary general, for the umpteenth time, has overestimated his capacities. Someone should have reminded him that Ashura is, above all, a commemoration of self-sacrifice, in other words a day to embrace humility. The Daily Star

#### **Moussawi says Nasrallah’s speech meant to reassure rather than provoke**

December 31, 2009- Hezbollah International Relations Officer Ammar Moussawi told LBCI television on Thursday that the Lebanese should not feel threatened by Hezbollah Secretary General Sayyed Hassan Nasrallah's speech on the occasion of Ashura last Sunday, because his speech was "meant to reassure rather than provoke." "The reports saying that the cabinet was formed last month under the pressure of Hezbollah's arms are shameful," he added. He also said Hezbollah's arms target Israel, and not Lebanese. The Christian community of March 14 was outraged by Nasrallah's speech and considered it a warning that their fate will be the same as of the Christians of Iraq if they don't follow the Iranian Syrian axis

### **Jumblatt: We are Arabs first and foremost**

December 29, 2009- Progressive Socialist party leader MP Walid Jumblatt along with MPs Wael Abou Faour and Marwan Hamaded met in Limassol (Cyprus) with a Druze delegation from Israel based National Communication Council and Said Naffah member of the Israeli Knesset and leader of the Free Druze Arab movement. Following the meeting Jumblatt told al Nahar: "These meetings are very important. KM Nafah has revealed that 63.7% of the Druze in Israel have refused to enlist in the Israeli army. Jumblatt added this confirms the Druze Arabism regardless where they are. He concluded: "We are Arabs first and foremost"

### **Lebanon's National Dialogue talks to resume in March**

January 1, 2010- Lebanese President Michel Suleiman will reportedly kick off consultations with Lebanese political parties to lay the groundwork for all-party talks that are expected to resume in March. "Suleiman will soon launch wide scale consultations with top Lebanese leaders to put the foundations for the national dialogue table that will most probably be held in March," a cabinet minister close to the president told As Safir daily in remarks published Friday. Asharq al-Awsat quoted sources close to Suleiman as saying there was nothing final yet on the names of the participants in the national dialogue.

### **March 14 Forces Criticize Nasrallah's 'Nervous Advices' to Christians**

March 14 forces general-secretariat lashed back at Hizbullah Secretary-General Sayyed Hassan Nasrallah over his last speech on the occasion of Ashoura, saying they were surprised by Nasrallah's "unconcealed threats and nervous advices" he addressed to the Christians. In a statement issued after its weekly meeting on Wednesday, March 14 general-secretariat said that Nasrallah, "who couldn't probably hide his anxiousness about external threats, was seen as seeking internal confrontations." The March 14 general-secretariat called on Hizbullah and its leader for "calm contemplation," and added that all parties should be under the governance of a sovereign State which alone can provide safety and reassurance for everyone "instead of repeating futile experiences that many have tried before uselessly." "With the beginning of the year (2009), the Lebanese managed, in their state and political forces, to succeed in overcoming the Gaza war challenge, and to neutralize Lebanon, due to their awareness and attachment to international resolution 1701 which has proved its effectiveness in the most difficult times," added the statement. March 14 forces said that Christian-Muslim solidarity managed to maintain its firm basis despite the confusion and puzzlement that marked the March 14 coalition after the May 7, 2008 incidents and the subsequent foreign

interventions. On the other hand, the conferees expressed their "deep concerns over the bombing that targeted a Hamas quarters which exists inside Hizbullah's Security Square in Beirut Southern Suburbs," condemning its presence in that area "outside the camps."

### **Suleiman: Political Crises Can't Threaten Stability Anymore**

President Michel Suleiman on Tuesday urged "the military and security services, topped by the army, to stay alert and prepared to thwart Israel's hostile plans." Suleiman called on the security and military officials to exert "more efforts and unity among their institutions which represent the real and true guarantee for the security of the country and its citizens." "The occurrence of political crises can't threaten stability or the State's path anymore," added the president. Suleiman urged a near launching of reform inside state's institutions and administrations in order to "correct the deficiencies," and added that allocating official employees should be based upon competence and honesty.

### **Geo strategic front:**

#### **Jumblatt: Haret Hraik explosion confirms Israeli aggressions against Lebanon**

December 28, 2009- In his weekly editorial in the Anbaa newspaper ,MP Walid Jumblatt called the Haret Hraik explosion ” an act of “sabotage ” which only confirms the depth and breadth of Israel’s aggressions against Lebanon, either through recurrent violations of Lebanon’s airspace, land and sea or through security incidents.” Jumblatt called for providing the necessary support for Lebanon’s security services, especially the Lebanese Armed Forces-Intelligence Branch, to help it uncover Israeli espionage networks and handle other serious violations. Hezbollah sealed off the scene of the explosion to bloc any access to the Lebanese security forces and the media

#### **Geagea: No-return to war in Lebanon**

December 27, 2009- During a speech at the annual Christmas dinner held by Lebanese Forces in Bcharri, LF’s leader Samir Geagea said: “I assure you today that I’m striving with all my effort, energy, and concentration so that war doesn’t return to Lebanon. If you ask me about the things I’m longing to, I will answer: ‘No-return’ to war as the most important.” Geagea stressed that his top priority is working on preventing the return to civil war in Lebanon Geagea urged the youth not to get lost in small details by saying: “Today, we are making history”

#### **Jumblat: Dahiyeh Incident Proves Persistence of Israeli Aggressions Against Lebanon**

Progressive Socialist Party leader MP Walid Jumblat considered the explosion that targeted Hamas members in Beirut Southern Suburbs as "an act of sabotage that proves the persistence of Israeli aggressions against Lebanon." In an article in his party's Al Anbaa weekly, Jumblat urged "to present all required support for the official security services, especially the army's intelligence, in order to enable them of unveiling Israeli spy networks." "The Israeli aggression plan is persistent and ongoing, not only against Lebanon, but also against the West Bank," added Jumblat, condemning "the silence of the entire international community."

### **Suleiman Holds Talks with Sarkozy on Saturday**

President Michel Suleiman is expected to meet with his French counterpart Nicolas Sarkozy in Paris on Saturday, media reports said. The meeting will take place following Sarkozy's return to the French capital from a private vacation. On Wednesday, Suleiman traveled to Paris along with his family to spend the New Year there. An Nahar newspaper said Wednesday that Lebanon's ambassador to Paris Boutros Asaker, who is currently in Beirut, will attend the French-Lebanese summit. The Sarkozy-Suleiman talks will include the results of the Lebanese president's meeting with his U.S. counterpart Barack Obama earlier this month, Premier Saad Hariri's visit to Damascus and Israeli threats to Lebanon, according to An Nahar.

### **Hayek predicted that sleeper cells would be active and carry out operations.**

He also said that operations linked with Hizbullah commander Imad Mughniyeh's assassination would be carried out. Hizbullah has accused Israel of involvement in Mughniyeh's murder and vowed revenge. On contacts between bickering Lebanese politicians, Hayek said: "Reconciliations in several directions will prevail and grow." "A solid bridge will extend slowly between Dahiyeh and Maarab," he added. Hayek predicted prosperity on the economic front, saying facilities will be made to enable every Lebanese to buy an apartment despite rising real estate prices. He also foresaw a project to replace old vehicles with new ones amid unprecedented financial facilities. Religious tourism would be consolidated, according to Hayek, and new investment projects would be carried out in the sea off the Lebanese coast. Hayek predicted that Minister Jebran Bassil would come under political pressure over electricity. He said the Free Patriotic Movement official will take unprecedented and bold decisions putting himself under threat. This year, the psychic did not tackle the issue of the Special Tribunal for Lebanon but said the Lebanese will follow up the proceedings of an important trial.

### **Economic front:**

#### **The Lebanese pound will be stable in 2010, banking system is safe**

December 29, 2009- Riad Salameh , Central Bank Governor told OTV on Tuesday that Lebanon can take advantage of the increase in the price of gold, adding that the Lebanese currency will be stable in 2010 and that the country's banking system is safe from any problems in the near future. Salameh said the Central Bank achieved economic growth as a result of the Lebanese currency's stability

### **Michel Hayek Predicts More Reconciliations, Security Tension and Economic Prosperity**

Michel Hayek, Lebanon's most famous psychic, predicted that the year 2010 would generally bring good news on the level of reconciliations between Lebanese leaders but warned that both Israel and Hizbullah would carry out "ambush operations." Despite the presence of UNIFIL, the Blue Line and international resolutions, the door is open for "ambushes and operations by the Lebanese and Israeli sides," Hayek told LBC on New Year's Eve. He also warned that a foreign intelligence party will contact Lebanese security authorities and inform them about a major plot to carry out an operation on Lebanese territories.

## **Social front:**

### **Lebanese Decadence?**

December 30, 2009- It has often been said that the clearest image of the values and mores of a country can best be seen in the way that it treats its poor. What better time of the year to take a look at the level of poverty, income distribution and the resultant inequality than on the eve of a new year and a new decade for that. No one likes to pay taxes and especially so if you are a wealthy Lebanese. The sum of all taxes collected by the Lebanese government , excluding customs duties, are estimated to amount to less than 15% of the GDP which is quite low for a country at this stage of development. Even this low level of taxation would be 50% lower had it not been for VAT, essentially a regressive tax. The other major source of revenue for the government is customs duties which amount to 20% of its revenues or about 6% of the GDP and must decline if Lebanon is to join the WTO. So where is the revenue from the progressive personal income tax as well as the corporate income tax? Unfortunately they only amount; in the aggregate; to a sum that is essentially equal to what is collected from VAT and that is a shame. And that is a shame. Total taxes paid by all business entities in addition to the income taxes paid by all wage earners in Lebanon are only equal to what is collected from a sales tax. It does appear that the burden of taxation is exactly the reverse of what it should be. Like most developing countries Lebanon does not have a good reliable record of macroeconomic data that could be used to develop meaningful policies to target the most pressing economic problems such as poverty and inequality. Yet, there is a recent study about poverty in Lebanon which was released during the month of January of 2008. This study done by the UNDP highlighted the plight of many Lebanese and the need to implement post haste an anti poverty program across the country. The following is a summary of the major findings:

- (a) 28% of the Lebanese are poor and 8% are in extreme poverty.
- (b) Extreme poverty is measured as \$2.4 per day i.e. under \$900 per annum per person.
- (c) 20 % of the Lebanese live in between the poverty lines.
- (d) Both extreme poverty and even total poverty are rather evenly distributed.
- (e) The Gini coefficient ; a measure of economic equality; was estimated to be around 0.37 which is the average Gini for MENA (Middle East & North Africa )
- (f) All Lebanese could be lifted out of extreme poverty at the relatively small cost of \$12 per Lebanese per annum; less than \$50 million.
- (g) The top 20% of the Lebanese consume over 6 times what the bottom 20% consumes. (43% vs. 7%)
- (h) Regionally the residents of the North were the poorest followed by the South, Bekaa, Mount Lebanon and then Beirut.
- (i) The median per capita annual level of consumption for the year 2004-5 was estimated to be \$2067.

Fast forward to the New Year celebration planned to take place on New Years Eve 2009 at Solidere in Beirut. The price of admission to have a seat by the dancing floor, a 3 course dinner and an open bar will set one back by \$5500.00. (Yes the price of joining the festivities is five thousand five hundred dollars in case you thought that was a misprint). Now go back and take a look at item (i) in the list above and cry. Yes I know, we live in a free market economy and individuals should have the right to spend their

wealth any way they choose. That is true provided they recognize that their wealth was not generated in a vacuum and that they have a moral obligation and an ethical responsibility to carry their fair share of the costs of running the society that they are members of. That means that they should act responsibly by shouldering more than a token income tax while the majority of government revenues are collected through a regressive taxing structure. It means that it is decadent and totally irresponsible when a country whose level of welfare is dependent on grants and gifts from the Saudis, French, Norwegians, Americans, Russians; just to name a few of the donor countries; is capable of throwing such expensive private New Year celebrations for the pure hedonistic pleasure of the few. The privileged reap most of the benefits from the government expenditures while the poor carry the national debt burden. This is pure debauchery.