

## THE ARIZONA REPUBLIC

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### Ariz. businesses monitor hostilities in Middle East

*Employee security at facilities there is chief concern*

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The Arizona Republic

Jul. 21, 2006 12:00 AM

As Israeli warplanes bombed Lebanese houses, and Hezbollah guerrillas launched rockets on the town of Nazareth in Israel, the latest business deal at Tempe-based 21st Century Healthcare Inc. took on a surreal air.

The company, which sells 200 products ranging from vitamins to herbal teas to pet-nutrition items, inked on Wednesday a deal with a new distributor in Lebanon.

"I said to the guy, 'Wait a minute. I understand if you want to cancel it because this thing has escalated,' " said Craig Rochette, vice president of international business development for 21st Century. "He said, 'Oh, don't worry. The customers are up in the north. They can take the products.' "

As the fighting in Israel and Lebanon intensifies, Valley employers with balance sheets tied to the Middle East are closely monitoring the situation.

Companies with facilities in Israel or Lebanon are reviewing evacuation plans and using secure areas. E-mails fly from concerned employees in Phoenix offices to employees in Tel Aviv, Israel.

"Our primary concern is for the safety and security of our employees throughout the Middle East," said Juli Burda, spokeswoman for Motorola Inc.

No one can predict what effect the fighting will have on employee safety or earnings. There is really no way to protect facilities from being destroyed.

"At this time, the situation has not disrupted business, although I can't speculate on what will happen," said Dawn Jones, spokeswoman for Intel Corp. "Right now, we're just making sure that our employees are safe. Right now, everything is going very cautiously."

The Santa Clara, Calif., company, which is the world's largest semiconductor maker and Chandler's largest employer, counts about 7,000 employees in three facilities in Israel.

According to one wire service report, employees at Intel's research center in Haifa were working in bomb shelters as rockets hit the city in northern Israel on Wednesday.

The shelters have wireless connectivity to the Internet. Other employees were encouraged to work from home.

### Millions in exports

The Arizona economy has a stronger connection to the Middle East than most residents might think.

In 2005, the state exported \$219.5 million worth of goods to the area, mostly in the form of computer and electronic products, according to U.S. Department of Commerce statistics.

That was down significantly from 2004 when \$333.9 million was exported.

Last year, Israel was Arizona's 21st largest export partner, buying \$106.9 million worth of goods, although that was about half of the \$232.1 million it purchased in 2004. The dollar amount of Arizona exports to Lebanon in 2005 was \$617,000.

Israel's tech industry, with its established infrastructure and highly educated workers, is especially attractive for some of the Valley's most prominent high-tech companies even with the country's long record of conflict, said Jim Feldhan, president of Semico Research Corp. in Phoenix.

"They certainly have attractive incentives to attract a certain type of high-tech industry," he said. "They certainly have developed some infrastructure there along with a pool of experienced engineers."

## **Investor confidence**

Still, the violence in Israel and Lebanon can also rattle the economy in the form of decreased investor confidence, said Robert Hoskisson, management professor at Arizona State University.

"If we get rockets that can reach assets, that changes the game dramatically," he said. "If I'm an investor, I'm going to think twice about losing my facility over there."

Phoenix-based electronics distributor Avnet Inc. has a facility that consists of a warehouse and a sales office in suburban Tel Aviv with 125 workers.

The facility also has eight protected shelters, so "if there's a true alarm, they know where to go," spokesman Al Maag said.

The president of Avnet Israel told Maag via e-mail that some of the company's customers in northern Israel have suffered daily missile attacks. Some shipments have been delayed.

"The office has been a very successful operating unit of Avnet," Maag said.

"Our hopes and prayers are out for them that everything will be OK, but it sounds like what they can control is under control."