



Report on November 2007 Business Delegation to Tunisia

The Africa Society of the National Summit on Africa
and
United States Chamber of Commerce

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PREPARATORY PHASE

The Africa Society of the National Summit on Africa and the United States Chamber of Commerce led a trade delegation to Tunisia from November 8-12, 2007. The trade mission focused on exploring the opportunities for U.S. business in the Tunisian market. It also sought to foster a dialogue between the United States business community and their counterparts in Tunisia. The mission to Tunisia was a precursor to the U.S.-Africa Business Summit held from November 14-16 in Cape Town, South Africa.

The Africa Society and the U.S. Chamber of Commerce actively recruited corporations in the U.S. to join the delegation. The United States Embassy in Tunis and the Tunisian American Chamber of Commerce (TACC) were keenly involved in preparations to recruit businesses for the mission, engaging in weekly teleconferences beginning three months prior to the scheduled trip. One month before the delegation departed, the U.S. Ambassador to Tunisia, the Honorable Robert Godec, along with His Excellency Minister Mohamed Nouri Jouini, Tunisia's Minister of Development and International Cooperation, and members of TACC visited legislators in Washington DC to discuss the advancement of the U.S.-Tunisia relationship. They also attended a pre-mission breakfast hosted at the U.S. Chamber of Commerce with members of the business community. In addition, Minister Jouini, along with His Excellency Ambassador Mohamed Nejib Hachana, Tunisian Ambassador to the U.S., and members of TACC visited with the American Tunisian Association.

DELEGATION MEMBERS

The United States delegation to Tunisia was composed of seven members: Ms. Bernadette Paolo, The Africa Society; Ms. Ladan Moeenziai, U.S. Chamber of Commerce; Dr. Khaled Chaabouni, Leo-Progress Enterprises Inc; Ms. Amel Ben Cherifa, Proctor and Gamble; Mr. Dan O'Flaherty, National Foreign Trade Council; Mr. Jim Phippard, ACDI/VOCA; Mr. Michael Smith, Devonshire Investors. In addition, Ms. Rafla Mrabet represented the Tunisian American Chamber of Commerce; U.S. Ambassador to Tunisia Robert F. Godec also participated, as did U.S. Embassy representatives, Ms. Beth Mitchell and Ms. Dorothy Shea.

MEETINGS

During the trade mission, U.S. participants were able to witness the country's investment climate firsthand. They gained in-depth knowledge of Tunisia's most viable sectors, including textiles, footwear, information technology, agribusiness, automotive, electronics, energy and tourism. They also learned about the best prospects for U.S. exports: telecommunication equipment and services, electrical power systems, aircraft ground support, automotive equipment and services, construction and engineering, and pollution control equipment.

In a span of five days, members of the delegation met with key representatives of the Tunisian administration, as well as high-level members of the Tunisian business community. Meetings were held with Mr. Abdelhamid Triki, Secretary of State, Ministry of Development and International Cooperation; Mr. Abdelaziz Rassaa, Secretary of State, Ministry of Industry, Energy, Small and Medium-sized Companies; Mr. Slaheddine Makhoulf, Secretary of State,

Ministry of Commerce and Handicrafts; Mr. Mondher Ben Ayed, President, Tunisian American Chamber of Commerce; Mrs. Mongia Khemiri, General Manager, Foreign Investment Promotion Agency, Mr. Daniele Fogagnolo, General Manager, JAL Group; Mr. Ali Belakhoua, Managing Director, STARZ Electronics; Mr. Kamel Belkahia, Président Directeur Général, Bizerte Economic Activities Park; Mrs. Amina Mkada, Promotion Director, Foreign Investment Promotion Agency “FIPA”; Mrs. Aicha Essedika Ennaifar, General Manager, Elgazala Technopark; Mr. Adel Ghazel, Director of Studies and Training, SUP'COM.

FINDINGS

This report, published by The Africa Society and the U.S. Chamber of Commerce, provides a brief summary of the delegation’s findings and offers recommendations on ways to continue making Tunisia more attractive to businesses in the United States. All statistics and data mentioned are from the U.S. Embassy in Tunisia. Additional information is provided in documents attached to the reported.

Positive Aspects of Doing Business in Tunisia

Location: Tunisia’s geographical location is often described as being at the crossroads of Europe, Africa and the Middle East. During the trade mission, the delegation found much evidence of Tunisia’s business, cultural and strategic ties with countries in the three regions. These ties provide the potential for United States investors to use Tunisia as an access point for markets in the different regions.

Economy: The Tunisian economy stands as an example for the region. The delegation observed that Tunisia’s sustainable growth is widely attributed to the government’s prudent policies and a range of structural reforms. Tunisia has a large middle class, with 80 percent of the population living in family-owned homes.

Between 2003 and 2006, the average annual real GDP growth was 5.3 percent; in 2007 it is expected to increase to 6.2 percent. Similarly, the current account deficit has declined from 3.5 percent of GDP in 2002 to 1.8 percent in 2007. In 2007, the World Economic Forum Africa Competitiveness Report ranked Tunisia first on the continent.

While Tunisia’s economic and competitiveness indicators are very positive, it was apparent that the United States business community has been slow to capitalize on the evident opportunities. To date, the United States investment in Tunisia totals \$740 million. In 2006, Tunisia’s imports totaled \$15.76 billion, of which only 2.8 percent was from the U.S. The delegation also learned that of the 2,800 foreign companies operating in Tunisia, only 69 were U.S. companies. In contrast, European nations have taken advantage of Tunisia’s fertile economy. In 2006, 23 percent of Tunisia’s imports came from France; 19 percent from Italy. Additionally, close to 1,200 of the 2,800 foreign companies in Tunisia are French-owned.

Members of the delegation noted that France’s role as a former colonial power and the close cultural ties to Tunisia account for some of the numbers.

Trade Agreements: The delegation discussed trade agreements Tunisia has developed with neighboring states, Libya, Algeria and Morocco, as well as with the European Union. Most recently, the Association Agreement with the EU eliminates tariffs and trade barriers on goods and services in January 2008. While no such trade agreements exist between the United States and Tunisia, the two nations have longstanding bilateral relations. In 2002, the Trade Investment Framework Agreement (TIFA) established a process for both nations to work together to develop a more transparent and open bilateral trade regime. Since 2002, two additional TIFA Councils have been held and discussions are in place for another TIFA Council.

Government Incentives: The delegation dialogued with representatives of the Tunisian government about incentives to attract foreign investment. A number of incentives the government has instituted to spur foreign investments were applauded by the delegation. Foreign investors own 100% of their project's capital/equity. Additionally, tax relief is provided on reinvested profits and following the 1999 Finance Act, Value Added Tax (VAT) is limited to 10 percent on capital goods imported. Also, as an incentive to employ Tunisian citizens, the government pays a portion of salaries of newly hired staff for seven years.

Demonstrated Success for U.S. Business: Several U.S. companies already on the ground in Tunis, such as Hewlett Packard, reported seeing strong returns on their investments. Eurocast, another successful U.S. company in Tunisia, turns out precision parts for the aerospace industry in its manufacturing plant. The company's general manager told the delegation that Eurocast was drawn to Tunisia by the government's long-term strategic approach of welcoming high-tech businesses through tax incentives and training opportunities. He also noted that Tunisia is equipped with an excellent infrastructure for shipping, receiving, and transportation and praised the availability of skilled employees. Other U.S. companies in Tunisia include Exxon Mobil, Pioneer Natural Resources, Stream, Citibank, Pfizer, and Coca Cola.

Workforce: Tunisia is a relatively young country with a median age of 28 years. The investments by Tunisia's leaders in the country's human capital were impressive and have translated into a strong pool of skilled labor. 70 percent of the nation's resources is invested in education and training. As of 2005, the country's literacy rate was 74 percent. The delegation witnessed European and Maghreb companies greatly benefiting from Tunisia's highly skilled workforce. Also, as an added incentive, if a foreign investor hires new university graduates, the Tunisian government reimburses the investor for the initial cost of training these employees.

Technology: Tunisia's advancements in the area of technology are also an appealing aspect of this economy for U.S. businesses. During the visit to Elgazala Technopark, members witnessed a first-hand example of the economic development and competitiveness of Tunisia. Elgazala provides all of the services and systems necessary for an effective and modern telecommunications system; creating jobs for highly trained employees and enhancing the synergy between the private sector, researchers and universities.

In addition, the delegation visited the Bizerte Economic Activities Park, a free-trade zone focusing on agribusiness. Given the importance of agriculture to the Tunisian economy, this

has the potential of rewarding investors in agribusiness as well as providing a profitable outlet for producers of the range of fresh fruits and vegetables grown in Tunisia.

It should be noted that the administrators of Elgazala Technopark and Bizerte Economic Activities Park are eager to establish relationships with similar entities in the United States, and the former has already formed alliances with European technoparks in advancing its capabilities and competitiveness.

Political Context: Tunisia is a moderate Arab country with close ties to the United States. It frequently plays a moderating role in the region. Tunisia's stable government consistently provides the services necessary for its citizens. The government has also prioritized gender equity, integrating women into all levels of the workforce. Additionally, the country espouses religious tolerance.

Rule of Law: The delegation witnessed a well-established legal framework for business in Tunisia. There is a fair and consistent application of the law and a system in place to adjudicate discrepancy or seek redress as is necessary.

U.S. Embassy in Tunisia: The United States Embassy in Tunisia is a phenomenal resource for any party interested in learning more about Tunisia and its investment climate. The embassy encourages all U.S. companies to visit Tunisia prior to entering business relationships, and is available to facilitate such a visit. The success of the delegation was very much a function of the embassy's efficiency and its willingness to partner with The Africa Society and the U.S. Chamber of Commerce

Areas of Necessary Improvement

Intellectual Property: Members of the delegation felt the Tunisian government needs to more proactively monitor infringements of intellectual property. For example, software piracy is common in Tunisia. Better enforcement of international agreements on intellectual property rights (IPR) is vital to the country's continued growth. New legislation is currently being drafted to protect IPR. Enforcement of any new laws will be critical.

Franchising and Licensing: The Tunisian government has thus far remained hesitant to permit the establishment of franchises. As a result, it is losing out on potential investments. The delegation also saw licensing as a remaining barrier for corporations operating in Tunisia. The government of Tunisia is currently drafting new services legislation which will include franchising and licensing.

Convertibility of the Dinar: The issue of convertibility of the Tunisian currency was raised with respect to how (and whether) the Tunisian government plans to change the currency or take other actions to ensure its convertibility in the future. Tunisia does allow repatriation of profits and is working with the IMF toward full convertibility of the dinar.

Government Control of the Internet: Tunisia's restrictions in the telecom industry, specifically in terms of user monitoring could deter U.S. corporations from investing because of a perceived potential security threat to maintaining the secrecy of proprietary data.

Recommendations

While the trade mission was a success by most accounts, it was apparent in the planning phase that many in the U.S. business community were hesitant to participate. Promotion by The Africa Society and the U.S. Chamber of Commerce, the outreach by Ambassador Robert Godec, as well as the high level meetings planned for the delegation should have resulted in more interest from U.S. corporations. This reality necessitates action by the Tunisian government and the Tunisian business community.

- **Expand TACC Visits beyond DC:** Although the Tunisian American Chamber of Commerce has visited and lobbied in Washington D.C., it is important that the TACC delegation visit other strategic areas in the United States in order to promote Tunisia and its investment potential.
- **Circulate FIPA Materials:** The Embassy of Tunisia in the United States was vital in ensuring the success of the trade mission. The Embassy should proactively provide relevant U.S. corporations and investment vehicles with information materials from Tunisia's Foreign Investment Promotion Agency (FIPA), which highlights the benefits of the Tunisian business environment.