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U.S. – Arab Chamber Hosts Tunisian Minister of Development, Investment and International Cooperation

“Building a Business-Friendly Economy is Very Important to Us and One of the Major Priorities for Our Government”
–Investment Minister Zied Ladhari

Washington D.C. – This week, the National U.S.-Arab Chamber of Commerce (NUSACC) organized a Roundtable featuring H.E. Zied Ladhari, Tunisia’s Minister of Development, Investment, and International Cooperation. The event, co-hosted by the Embassy of the Republic of Tunisia and its Ambassador, H.E. Fayçal Gouia, highlighted trade and investment opportunities in Tunisia, as well as widespread governmental reforms that have taken place since the country’s political revolution in 2011.

The Roundtable was attended by more than 25 U.S. companies, including NxtVn Group, a Platinum Plus member of NUSACC that sponsored the event. “The growing interest in Tunisia by U.S. companies is a reflection of increased business confidence in that nation,” noted David Hamod, NUSACC’s President & CEO. “Tunisia is still a work in progress, but the partnership between the public and private sectors there is now opening the door for economic growth.”

From left to right: Nihad Akkad, Vice President for Business Development at NxtVn Group (sponsor); H.E. Fayçal Gouia, Tunisia’s Ambassador to the United States; Ambassador Adrianus Melkert, Vice Chairman of the Board at NxtVn Group (sponsor); H.E. Zied Ladhari, Minister of Development, Investment, and International Cooperation; David Hamod, NUSACC President and CEO; Faouzi Aloulou, Senior Economist at the U.S. Department of Energy.
A Bilateral Relationship Built on Longstanding Cooperation

“We cherish the same values and ideals as our friends in the United States,” said Minister Ladhari in a discussion about the upcoming elections in Tunisia, that nation’s first free and fair municipal elections. Tunisians will go to the polls on May 6, and election results are expected to signal a step toward decentralization and local empowerment.

Tunisia was one of the first countries in the Arab world to recognize the fledgling United States of America, and the U.S. has maintained official representation in Tunis almost continuously since 1795. In 1797, the United States concluded an agreement of friendship and trade with Tunisia, establishing the first American consulate in Tunis in 1800.

In the same spirit, the United States was the first major power to recognize Tunisian sovereignty, establishing diplomatic relations with Tunisia in 1956, following that nation’s independence from France. Fast forward to January 2011, when the United States stood solidly with the Tunisian people as they overthrew the dictatorship of Zine el-Abidine Ben Ali. Today, the U.S. remains fully committed to supporting Tunisia’s march to Democracy.
Post-Revolution Reforms to Enhance Foreign Investment

Since the 2011 revolution, the Government of Tunisia has implemented a range of legal reforms designed to promote foreign investment, such as a new investment framework, improvements to the banking sector, and the coming adoption of a Public Private Partnership (PPP) law. The new investment law aims to give foreign investors more flexibility to transfer funds, including profits, in and out of the country. The law also establishes a fund for investment that will help to finance infrastructure projects and provides funding to encourage investors to launch large scale projects in underdeveloped areas of the country. In addition, taxes will be removed from profits of major projects for 10 years.

The former investment code granted the right to recruit up to four foreign managers for each business. The new investment law expands on this provision by allowing businesses to have 30 percent of their management staff composed of foreign managers during the first three years of the company’s entry into operation, and ten percent from the fourth year forward.

Ruben Duran, head of International Advocacy at PhRMA, the Pharmaceutical Research and Manufacturers of America, highlighted PhRMA’s experience working with the pharmaceutical industry in Tunisia. He described the promise that he sees in the country as an investment destination, and he offered PhRMA’s services to help Tunisia promote innovation and cut bureaucratic red tape.

Ambassador Gouia pledged to work with PhRMA to help streamline the process in Tunisia, citing the February 2018 creation of the Tunisian Investment Authority, one of three new investment-focused organizations established under the new investment law. The Investment Authority has been created to assist foreign investors, he noted, and to reduce bureaucracy that may have stifled foreign projects in the past.

Minister Ladhari concurred: “Pharmaceuticals is an industry on which we want to focus, and we look forward to introducing stronger legal frameworks to promote the industry.”
Banking is another sector that is experiencing reform. The International Monetary Fund has served as an impetus for Tunisia, assisting that nation with a four-year loan program – promoting reform – worth approximately $2.8 billion. As part of the banking sector’s overhaul, the Government of Tunisia recapitalized with $400 million some of the state lenders: Société Tunisienne de Banque (STB), Banque de l'Habitat (BH), and Banque National Agricole (BNA). Those banking reforms began by implementing plans for improved governance, followed by an increase in public banks’ capital. The current focus is on improving performance by recovering bad debt: Tunisia plans to recover 6.5 billion dinars ($2.72 billion) of bad loans in public banks as part of its banking reforms.

Business Coming Back in Tunisia

In 2002, the United States and Tunisia signed a Trade and Investment Framework Agreement (TIFA), a Bilateral Investment Treaty, and an agreement to avoid double taxation. Trade took a hit during the years of the Arab Spring, but indicators suggest that business is back on track in Tunisia. Since 2016, U.S. exports to Tunisia have increased five percent, while Tunisian exports to the USA have jumped 18 percent.

“The fundamentals in the country are very good,” suggested Ambassador Gouia. “It’s a competitive place for business, and the companies that are in Tunisia are creating value and jobs.” He highlighted the business-friendly nature of Tunisia, which is welcoming increasing numbers of American companies, such as Boeing, PepsiCo, Fidelity, HP, Dole Food Company, and General Motors.

When Fidelity opened their office in the Tunisian suburb of Berges du Lac in 2010, for example, the company had 30 employees. Today, they have grown to almost 200 employees in such areas as Customer Operations, Technology, Investment Services Fund Accounting and Investment Management Operations.

Minister Ladhari pointed out that Foreign Direct Investment in Tunisia rose 27 percent in the first quarter of 2018, with industrials growing 45 percent faster than in 2017. “Tunisia is working to have a very dynamic private sector, which will be the engine of growth for our economy in the years to come,” he emphasized. “The quality of Tunisia’s human resources is excellent, and our people’s commitment to make the country an even more attractive destination is shared by all of our stakeholders.”
Tourism as an Economic Driver

Indicators signaling an improving economy are being reflected across multiple sectors. Tourism is an important economic driver in Tunisia, and this was discussed extensively at the Roundtable. Laura Mandala, CEO of Mandala Research and a former Vice President of the U.S. Travel Association, highlighted the need to shift American perceptions of Tunisia. “The country has the necessary infrastructure in place to support the tourism sector,” she said. “Tourism is a major multiplier for jobs and the economy, so this should be a high priority for Tunisia.”

Tunisia's tourism revenues rose 23 percent year-on-year in the first three months of 2018, and tourist numbers are expected to hit a record high by the end of the year. Tunisia’s first Four Seasons Hotel opened in late 2017, for example, and it is doing a brisk business.

Dr. Paul Davis, President and COO of Pragma Corporation, highlighted the largely untapped potential of entrepreneurship in Tunisia. Pragma helped to create over 23,000 jobs in Tunisia between 2014 and 2017 through their USAID-financed Business Reform & Competitiveness Project. BRCP focused on providing technical assistance to small and medium-sized enterprises (SMEs), improving business access to capital, and matching growing businesses with qualified job-seekers. The program leveraged $23 million in foreign direct investment and $42.5 million in local debt and equity investment.

“The success of the program really underscored the competitiveness potential of SMEs in Tunisia,” noted Dr. Davis. “We saw promising opportunities for Tunisia to serve as an export base, both regionally and internationally. What surprised us the most was the key role that FDI could play in helping to access that untapped potential.”

SMEs and Entrepreneurship

Following Pragma’s lead, Minister Ladhari discussed Tunisia's new legislation to aid startup companies and small businesses. A group of seventy individuals – a mixture of entrepreneurs and financial institutions – laid the groundwork for the “Startup Act,” he said. The legislation introduces 22 new measures to encourage and support the startup ecosystem in Tunisia.

The reforms include simplifying the registration or closure of a company, providing tax incentives, streamlining import processes, granting financial incentives to leave a government job to start a business, and making it easier for startups to use their Tunisian dinars abroad.

In the same spirit, the American Chamber of Commerce in Tunisia (AmCham) recently launched a non-profit project called “Export Lab” to support this endeavor. The project provides a set of highly effective coaching sessions – including business incubation, knowledge transfer, and market intelligence services – to help increase and diversify the exports of 45 Tunisian SMEs to the U.S. market.

“Promoting entrepreneurship and boosting SMEs and startups top the priorities of the government,” Minister Ladhari concluded. “Tunisia is a country of the future. Our youth are our strongest asset, making us an even more attractive market in the decades to come.”