

US-Arab Tradeline



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NUSACC
1023 15th Street, NW
Fourth Floor
Washington, DC 20005

Tel: (202) 289-5920
Fax: (202) 289-5938

www.nusacc.org
E-mail: tradeline@nusacc.org

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The US-Tunisian Economic Dynamic

M. Scott Bortot & Rebecca Givner-Forbes

Trade has long been an important part of US-Tunisian dynamics. From the end of the 18th century until today, Tunisians and Americans have been doing business together.

The latest major trade development between the two countries came in 2002 with the signing of a Trade and Investment Framework Agreement (TIFA), an important step toward implementing a Free Trade Agreement (FTA) with the United States.

Among the TIFA measures was the establishment of a United States Tunisia Council on Trade and Investment. The Council includes representatives of both countries and is headed by the Office of the United States Trade Representative (USTR) and the Tunisian Ministry of Development and International Cooperation. In October 2003, the first TIFA Council meeting was held in Washington, DC.

Leading up to these developments, the US and Tunisia finalized a bilateral investment treaty in 1990. And shortly before this milestone was reached, an agreement to avoid double taxation was worked out in 1989.

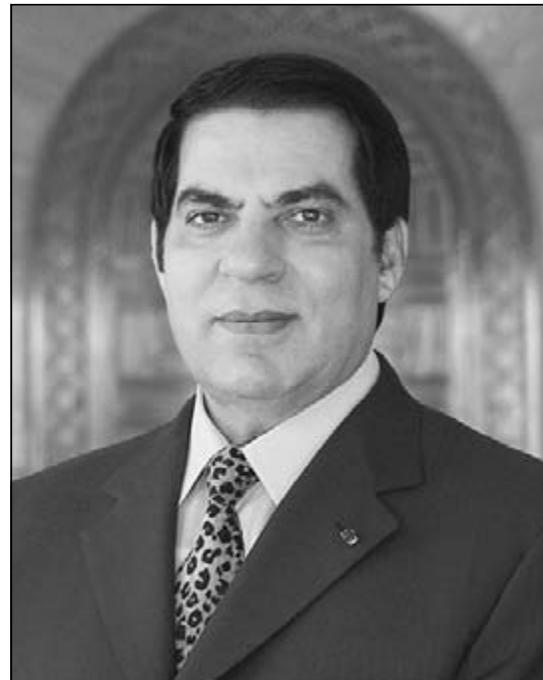
According to the USTR, US businesses seeking to invest in and export to Tunisia can receive insurance and financing for their operations through US Government agencies. Both the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank can provide US companies with these services.

Tunisia is also attractive for US business investment due to its highly educated workforce. One of the regional leaders in literacy and the percentage of university graduates, Tunisia provides foreign businesses with a large pool of skilled labor.

Currently, there are hundreds of US companies active in Tunisia. General Electric, CMS Energy,

"Over two centuries of shared history, Tunisia and the United States have been friends, allies, and partners. President Ben Ali's visit promises to usher in a new era of greater cooperation, enhanced commercial relations, and deeper understanding between the peoples of Tunisia and the United States."

— H.E. Hatem Atallah
Tunisia's Ambassador to the United States



Courtesy Embassy of Tunisia

The National US-Arab Chamber of Commerce welcomes the President of Tunisia, H.E. Zine El Abidine Ben Ali, to the United States. Under President Ben Ali's leadership, Tunisia has made remarkable strides in liberalizing its economy and promoting trade and investment. As this month's cover story of Tradeline suggests, Tunisia is well positioned to implement a Free Trade Agreement (FTA) with the United States, thereby crossing another threshold in the burgeoning commercial relationship between these longtime allies and trading partners.

Caterpillar, Coca-Cola, Sarah Lee and Lucent Technologies are just a few of the US businesses that have active operations in Tunisia today.

In 2003, US exports to Tunisia totaled \$154.9 million, while Tunisia sent \$95.3 million in goods to the US.

In addition to bilateral trade, Tunisia has been active with the United States on the regional economic front.

Tunisia has supported the US-North African Economic Partnership (USNAEP), which is designed to promote both US investment and economic integration in the Maghreb region. As a result of its participation in USNAEP, over \$4 million in assistance was provided to Tunisia through the program between 2001 and 2003.

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NUSACC President, David Hamod

What Would Hannibal Do?

When one thinks of Tunisia, it is difficult not to conjure up images of Carthage and its most famous native son, Hannibal Barca (246-183 B.C.).

Hannibal is best known for his extraordinary 15-day trek through the snowy Alps with 50,000 infantry, 9,000 cavalry, and 37 elephants. This *blitzkrieg*, which started on the southern coasts of Spain and ended in Italy's Po Valley near Turin, stunned the Romans, who prided themselves on having the most powerful military forces on the face of the earth.

Rome's aura of invincibility quickly evaporated as Hannibal rolled up one battlefield victory after another. Sometimes referred to as the "father of military strategy," Hannibal combined audacious maneuvers with brilliant leadership. This is one of the reasons why General Norman Schwarzkopf, head of the coalition forces during Operations Desert Shield and Desert Storm, has described Hannibal as the most impressive commander ever.

Nowhere was this more apparent than at Cannae, when the Carthaginians and their allies surrounded and annihilated the Romans. The final death toll: Romans 50,000. Carthaginians 700. It is said that Hannibal inflicted worse casualties in a single day's fighting, at Cannae, than any other commander in history.

Later that year (216 B.C.), Hannibal victoriously rode his last surviving elephant into Capua, which was to become Hannibal's headquarters in Italy. He was thirty years old.

The Mediterranean area is known for its tough leaders, and Hannibal has a reputation for ruthlessness. But he was also a diplomat and, in his own way, a nation-builder.

In the words of historian T. Reaveley Glover, Hannibal's "ability as a diplomat and statesman equaled his generalship, and his diplomacy embraced the world of his day."

He forged partnerships with the most unlikely of allies, and his military forces were composed of Carthaginians and troops from throughout the region: Africans, Spaniards, Gauls, Italians, and Greeks. It is remarkable that in the more than 15 years that he pursued the Romans on the battlefields of today's Europe, not once did he face a mutiny,

and never did he receive reinforcements from Carthage.

When he eventually returned home to North Africa, the Carthaginians chose Hannibal to serve as their *suffete* (consul), which gave him an opportunity to promote democracy. In that capacity, he encouraged an array of economic reforms, including an overhaul of revenues & budgets, greater investment in agriculture, and enhanced trade in the region.

I believe that if Hannibal were alive today, he would be a strong proponent of Tunisia's efforts to implement a Free Trade Agreement with the United States. In my opinion, he would see great value in breaking down barriers through trade and investment, particularly as an alternative to military conquest.

Hannibal and the Romans were the bitterest of enemies. Yet in the end, ironically, he was immortalized by the very people he sought to vanquish. The Carthaginians produced no written accounts of their leader's exploits, so almost everything we know today about Hannibal was handed down by the Romans. This produced some notable distortions and fabrications, but it also underscores the begrudging respect that the Romans had for their nemesis.

For generations after Hannibal's death, Romans paid homage to the great Carthaginian leader. Emperor Septimius Severus erected a monument at Libyssa (Bithynia), part of today's Turkey, where Hannibal committed suicide to avoid certain capture by the Romans.

Polybius, who recorded ancient history on behalf of the Romans, said this of Hannibal: "It may be affirmed with confidence that if he had first tried his strength in other parts of the world and had come last to attack the Romans, he could scarcely have failed in any part of his design."

Today, more than 2,000 years after Hannibal, Tunisia continues to expand its sphere of influence and its economic clout through trade. In the final analysis, as even Hannibal would agree, the Dinar is mightier than the sword.

David Hamod
President

NUSACC co-hosts Congressional luncheon for Bahrain's Crown Prince

H.H. Shaikh Salman encourages democratic ideals, the rule of law, and free markets

Christopher Ross

On February 11, The US-Bahrain Free Trade Agreement (FTA) Coalition held a Congressional luncheon at the Rayburn House Office Building in honor of His Highness, Shaikh Salman bin Hamad Al Khalifa, the Crown Prince of Bahrain and the Commander-in-Chief of the Bahrain Defense Force.

Organized by the Coalition's Secretariat – The Business Council for International Understanding (BCIU), The National Foreign Trade Council (NFTC), and the National US-Arab Chamber of Commerce (NUSACC) – the luncheon was sponsored by ALCOA, Bechtel, ChevronTexaco, Citigroup, ExxonMobil, and Raytheon.

The Crown Prince's speech was the highlight of the event, which helped draw attention to the proposed FTA. In his speech, H.H. Shaikh Salman thanked the US-Bahrain Free Trade Agreement Coalition and the US-Bahrain Congressional Caucus for their efforts to raise awareness on Capitol Hill about this important trade milestone.

With regard to US-Bahrain relations, the Crown Prince pointed out their unique nature, having developed not only as a result of contacts at the government level, but also through the endeavors of civil society organizations. In expressing his support of US policies in the



From left to right: His Excellency Abdulla Hassan Saif, Bahraini Minister of Finance and National Economy, Congressman Paul Ryan, His Highness Shaikh Salman, and Congressman Jim Turner.

Christopher Ross

region, the Crown Prince stressed the importance of finding a just and equitable solution to the Palestine conflict and the need to assist the Iraqi people. The Crown Prince placed special emphasis on his country's commitment to the FTA, democratic ideals, the rule of law, and the free market.

In addition to the Crown Prince, speakers included: representatives of Citigroup and Co-Chairs of the US-Bahrain FTA Coalition; Congressmen Jim Turner (D-TX) and Paul Ryan (R-WI), Co-Chairs of the US-Bahrain Congressional Caucus; and Catherine Novelli, Assistant US Trade Representative (USTR) for Europe and the Mediterranean.

Two main themes emerged from the speeches at the luncheon. First, FTA negotiations between Bahrain and the US Government are proceeding at a quick pace, and second, US Government officials in attendance view Bahrain as a model for other countries in the region.

In his welcome speech, Lionel Johnson of Citigroup praised Ms. Novelli for the commitment of USTR to involve the American private sector in helping to frame negotiations. After pointing to the US-Bahrain FTA as a model for other agree-

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US Government officials view Bahrain as a model for other countries in the region.



His Highness Shaikh Salman (L) and NUSACC President David Hamod share a lighter moment.

Christopher Ross

US-Arab Tradeline

Editor

M. Scott Bortot

Contributors

Rebecca Givner-Forbes
Christopher Ross
Yousif Mohammed

Design

Rick Clark Illustration & Design



NUSACC welcomes Kuwaiti Minister of Commerce & Industry

Rebecca Givner-Forbes

“For the past 20 years, with security at the top of the agenda, the private sector became weak. Now, the economy, the free market, openness, and democracy are at the top of our agenda.”

– H.E. Abdullah Al-Taweel
 Kuwait’s Minister of
 Commerce & Industry

On February 6, the National US-Arab Chamber of Commerce (NUSACC) welcomed to Washington H.E. Abdullah Al-Taweel, Kuwait’s Minister of Commerce and Industry, with a luncheon at the Four Seasons Hotel. More than fifty representatives from the government, press, business, and trade associations turned out for this high-level event.

Minister Al-Taweel arrived in the US on February 5 with his delegation, composed of government and private sector leaders, to sign a Trade and Investment Framework Agreement (TIFA) with the US Trade Representative, Ambassador Robert Zoellick. NUSACC’s luncheon kicked off the delegation’s five-day visit.

NUSACC’s President, David Hamod, opened the event by welcoming Minister Al-Taweel and introducing Kuwait’s ambassador to the United States, H.E. Salem Al-Sabah. The Ambassador characterized the strong US-Kuwaiti alliance as “Partners in Peace,” describing Kuwait as a gateway into Iraq. He concluded by stating that Kuwait was working to recapture its leading trade and commerce status in the region and that Kuwait’s “prime partner in that effort will be the United States.”

The second guest speaker was Hon. John A. Shaw, Deputy Under Secretary for International Technology Security at the Department of Defense, who shared valuable information on the contracting process for Iraq reconstruction projects. He also described Kuwait’s vital role in providing inroads to Iraq and the opportunities available to Kuwaiti businesses to supply reconstruction materials.

Mr. Shaw highlighted efforts that are underway by the Public Affairs Committee of the Coalition Provisional Authority (CPA) to improve the contracting process. In addition, he announced the establishment of an Inspector General’s office to improve the way reconstruction resources are distributed. The Inspector General’s office will have a significant presence, and will “alter the way a lot of things are being done on the ground,” Mr. Shaw contended.



American and Kuwaiti leaders (from left to right): David Hamod, President of NUSACC; Ali Al-Ghanim, Vice President of the Kuwait Chamber of Commerce & Industry (KCCI); H.E. Minister Abdullah Al-Taweel; Nofal Barbar, Executive V.P. of Arab Bank and NUSACC Board member; H.E. Ambassador Salem Al-Sabah; Hon. John Shaw, Deputy Under Secretary; Faisal Al-Mutawa, Board member of KCCI.

Yousif Mohammed

The Iraqi office will be modeled on the one that was established in Kuwait to manage funds that the US provided for reconstruction there. In that case, a full \$75 million was allotted for the Inspector General’s office to oversee \$18.5 billion in reconstruction funds.

Speaking about future contract opportunities, Deputy Under Secretary Shaw noted that a lot of resources would be directed at further developing the infrastructure at Um Qasr and expanding the port’s capacity. He also reached out to the Kuwaiti delegation, emphasizing that opportunities would be available not only for American companies but for regional players as well.

The next speaker, Minister Al-Taweel, opened his remarks with an expression of gratitude “for the help that the US has given to Kuwait and for liberating both the Kuwaiti people and the Iraqi people.”

Minister Al-Taweel highlighted a shift in focus for the Kuwaiti Government away from defense and toward economic and political development.

“For the past 20 years, with security at the top of the agenda, the private sector became weak. Now, the economy, the free market, openness, and democracy are at the top of our agenda,” Al-Taweel said. He stressed that Kuwait is now “open for business” and serving as a key gateway to Iraq.

He welcomed the TIFA signing between the US and Kuwait, which will lay the groundwork for even more

continued on next page

diversified and extensive commercial relations, he suggested. He assured luncheon participants that Kuwait is “willing to assume the burden” of economic reforms that come with signing a TIFA with the United States.

The final presenter was Fawzi Al-Sultan, former Executive Director of the World Bank and current Secretary General of the Higher Committee for Economic Development and Reform. Al-Sultan, who is also a member of the Committee for the Role of the Private Sector in the Reconstruction



Kuwait's Ambassador, H.E. Salem Al-Sabah, speaks with a Washington Times reporter at the NUSACC luncheon.

of Iraq, used a PowerPoint presentation to discuss the potential for cooperation between Iraq and Kuwait. In particular, he described efforts to leverage the Free Industrial Zones (FIZs) along Kuwait's northern border with Iraq as areas in which Kuwaitis and Iraqis could work together.

Al-Sultan and Ms. Shaikha Khaled Al Bahar highlighted the National Bank of Kuwait (NBK) as a pivotal player in Iraq. The bank was recently granted a five-year license to operate in Iraq, one of only three such international banks to achieve that status. NBK is

also a financial advisor to the Iraqi Telecom Company and a member in the consortium that manages the Trade Bank of Iraq.

In his concluding remarks, Al-Sultan noted that he is optimistic about what is taking place in Iraq and the region: “I think that the region has been *politically* ‘engulfed’ rather than economically. Now, people are realizing that the focus should be economic. They are making that realization and moving toward that end more than ever before.” ♦

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ments, Mr. Johnson introduced his colleague, Mohammed Al-Shroogi, who is Citigroup's Managing Director for the Middle East. Mr. Al-Shroogi underlined the success of the Bahraini Government's efforts at economic diversification.

Congressman Jim Turner spoke of the high level of Congressional backing for the FTA, underscored by the various Members of Congress who stopped by the luncheon to show their support. The Congressman mentioned that in reading *US-Arab Tradeline's* excerpts of a speech delivered by the Crown Prince, he was struck by the Crown Prince's dedication to commerce and his friendship with the United States. With regard to the situation in Iraq, the Congressman praised the Crown Prince's view that what led to the current situation is now in the past and that the United States and its allies must focus on the *future* and what can be done to reach out to the Iraqi people.

Cathy Novelli of USTR followed Mr. Turner, acknowledging that FTA negotiations with Bahrain constituted the best first round of negotiations that she can recall. She thanked the Crown Prince for his role in the FTA process and gave her assurance that the proposed FTA will be of the highest quality, serving as an example for other countries in the region.

Congressman Paul Ryan, Co-Chair of the US-Bahrain Congressional Caucus, expressed his enthusiasm about the prospects of passing the FTA legislation in the months ahead. In addition to outlining the history of the US-Bahrain relationship, Mr. Ryan praised Bahrain for its role in the war on terrorism.

Mr. Russell Wisor of Alcoa wrapped up the luncheon by thanking the US-Bahrain FTA Coalition for organizing the event, acknowledging the significance of so many Members of Congress and business leaders present to show their support for the FTA. ♦

“People are realizing that the focus should be economic. They are making that realization and moving toward that end more than ever before.”

– Fawzi Al-Sultan
Secretary General of the
Higher Committee for
Economic Development
and Reform



Tunisia is attractive for US business investment due to its highly educated workforce.

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A further sign of strong economic ties is evident in Tunisia's role in the Middle East Partnership Initiative (MEPI). The MEPI aims to connect Arab, US, and global private sector businesses, non-governmental organizations, and governments to develop programs that support reform in the Arab world. Tunisia is active in several aspects of MEPI and received grants for programs in both 2002, the year MEPI was launched, and again in 2003.

Tunisia has witnessed solid economic growth in past years. In the 1980s, the country carried out economic stabilization programs that led to a liberalization in prices and controls, as well as a downgrading of the public sector's role in production. According to the World Bank, domestic production growth as measured by GDP grew from 2.8 percent during 1982-86 to 4.8 percent during 1991-2001. During the same period, Tunisia's macroeconomic situation improved as inflation and the current account deficit decreased.

Increased investment at a rate of 13.5 percent per year has allowed Tunisia to raise the investment ratio from 23.2 percent of the GDP in 1996 to 26.4 percent in 2001. At the same time, Tunisia's savings rate has grown from 23.7 percent in 1996 to 25.8 percent of



Courtesy Embassy of Tunisia

Tunisia has one of the highest rates of literacy in the Arab world.

GDP in 2001.

Tunisia's solid economic performance has had a positive impact on various sectors of its economy. Some of the areas that have been most attractive to foreign investment in recent years include energy, agribusiness, food processing, medical equipment, tourism and high technology, especially telecoms.

Considered to be one of the most dynamic economies in the Arab world – despite its lack of fossil fuel resources – Tunisia's trade and investment climate will continue to be inviting for foreign investors. ♦

Tunisia Hosts US Trade Association

The USA Poultry & Egg Export Council (USAPEEC) hosted its 2004 International Staff and Strategic Planning Conference in Tunis on January 16-20. The purpose of this event was to bring together USAPEEC's international directors and marketing staff from all over the globe to exchange information and make plans for the coming year.

Founded in 1984, USAPEEC is a non-profit, industry-sponsored trade organization dedicated to increasing exports of U.S. poultry and egg food products around the globe. The Council's members account for more than 90 percent of all poultry and egg exports from the United States.

USAPEEC members include nearly all the major U.S. poultry and egg producing and processing companies, as well as many international trading firms. Associate members include steamship lines, cold storage facilities, freight forwarders, port authorities and others whose businesses benefit from thriving poultry and egg exports. (For more information about the Council, a NUSACC member, go to www.usapeec.org.)

This year's conference began with a day-long marketing seminar led by the consulting firm of Deloitte, Touche and Tohmatsu. The remaining two days were

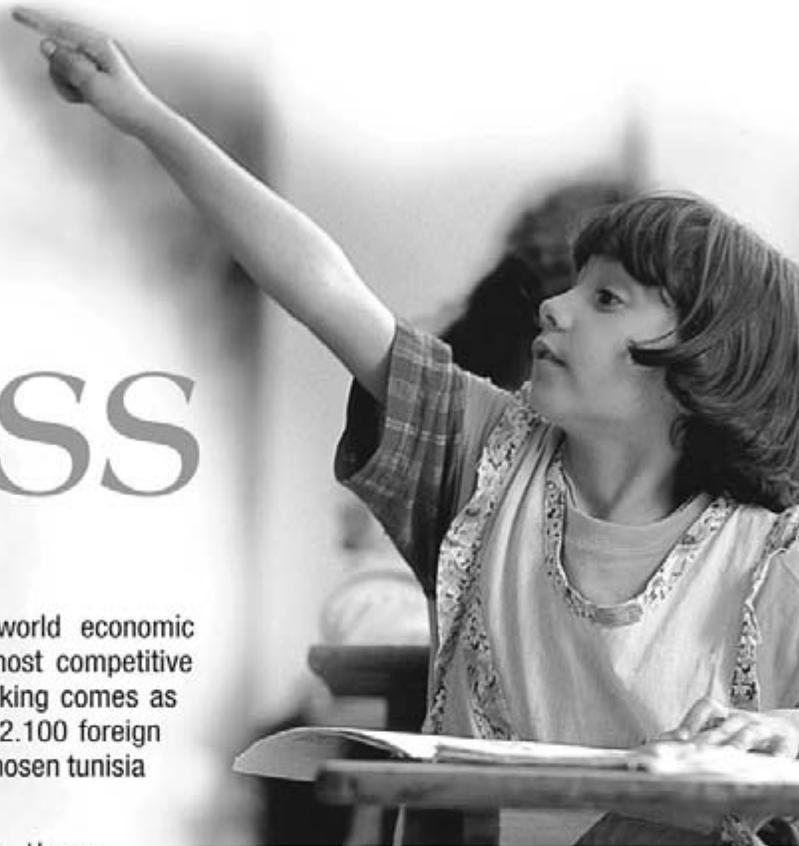


dedicated to strategic planning.

Logistics on the ground were arranged by the Center for Applied Training (CAT), based in Tunis. CAT did an outstanding job, according to USAPEEC officials, and attendees even managed to work in tours of the historic areas of Carthage and Tunis.

James H. Sumner, USAPEEC's President, says the Council had an excellent experience in Tunisia. "Although somewhat apprehensive about traveling to the Middle East at this time," he told *US-Arab Tradeline*, "the entire staff, without exception, was most pleased. We were particularly impressed by the friendliness and hospitality of the Tunisian people, and any one of us would welcome the opportunity to return to Tunisia soon – whether for business or pleasure." ♦

TOP OF THE CLASS



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In its report 2000, the world economic forum ranks Tunisia as the most competitive country in Africa. This top ranking comes as no surprise to the more than 2.100 foreign companies or so which have chosen Tunisia as a place to do business.

By investing in Tunisia, these companies benefit from tax breaks, a skilled and motivated work force, modern transportation and communication networks, and a preferential access to nearby markets.

They also enjoy the advantages of Tunisia's free-trade agreement with the European union.

If you think your company can benefit from a dynamic and competitive economy (with about 5% average rate annual growth

since 1987), an entrepreneurial business community, and an open and modern society, where young men and women have an equal stake in the future, then Tunisia is the place to be.

TUNISIA

A COUNTRY THAT WORKS

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Tunisian telecommunications poised for expansion

Yousif Mohammed

Given the low rates of penetration in both the GSM (5.5 percent) and Internet (2.1 percent) markets, it is no wonder that foreign investors have responded favorably to the recent liberalization measures.

Decade-long economic reforms in Tunisia have reaped benefits across a wide range of sectors. One area that has been heavily influenced by these reforms is the telecommunications sector. The Tunisian Government's efforts to promote competition have begun to bear fruit through vigorous privatization schemes and an overall loosening of marketing barriers.

Until recently, Tunisia's GSM mobile network was exclusively operated by government-owned Tunisia Telecom. The national network provided a limited supply of 500,000 subscriptions – far short of the booming demand for mobile connectivity. In 2002, the Tunisian Government signed license deals with Egyptian-based Orascom Telecom and Wataniya Kuwait to become the main shareholders in the second GSM network: Tunisiana.

According to the *Global Information Technology Report 2003 – 2004*, published by the World Economic Forum, Tunisia is the leading Arab country when it comes to using information and communication technology (ICT) as part of a larger scheme to boost economic growth.

The prospects for ICT development are buoyed by several factors that make Tunisia an attractive option for investors looking to enter new markets.

Compared to other Arab countries, Tunisia has one of the lowest penetration rates across the range of telecommunication services that it offers. In a report published by the Arab Advisors Group, Tunisia's Total Connectivity Measure (TCM) was estimated at 48 percent, most of which is concentrated in the fixed-line market. Given the low rates of penetration in both the GSM (5.5 percent) and Internet (2.1 percent) markets, it is no wonder that foreign investors have responded favorably to the recent liberalization measures.

Currently, different penetration rates across the range of services are reflected by different market structures, which makes the Internet sector the most competitive by a wide margin. In the long run, it is expected that the household market monopoly will be finally broken, perhaps as soon as 2005.

The Ministry of Telecommunication monitors the laws governing the telecommunications industry, which means that there is no independent regulator. However, the separation of operational and regulatory activities has been underway since the 1990s, according to the



High-tech companies have invested in Tunisia.

Courtesy Embassy of Tunisia

Government's 1997-2001 telecommunication plan. The process involves structural adjustment and separation of responsibilities to be divided between Tunisia Telecom as the public network operator, and CERT (Telecommunication Study and Research Centre) as the regulator.

Concerns about a possible government bias in favor of state-controlled Tunisia Telecom have not been realized because of excellent government performance in terms of transparency and accountability. Sustained institutional reform has earned Tunisia a Public Institution Index Ranking of 5.16, second only to Botswana in the *Africa Competitiveness Report 2003-2004* published by the World Economic Forum.

For competition to thrive in the GSM industry, operators must be allowed to compete for some of the same market segments so that customers have the choice of switching carriers without incurring significant losses in portability and quality. At present, this is one of the main obstacles in the face of competition, as Tunisiana's network coverage remains limited. As the trend toward wider access accelerates, subscription rates and usage charges are expected to fall dramatically as Tunisia Telecom starts losing customers to competition from the private sector.

Tunisia's experiment with telecom liberalization has become a potent symbol for the prospects of growth. Tunisia is emerging as a regional pioneer, thereby contributing to its appeal as an investment hub for foreign companies looking to establish themselves in Arab world markets. ♦

Bonds across the ocean: the US-Tunisian partnership

M. Scott Bortot

In the 1790s, the fledging US Navy was eager to open and maintain trade routes on the Mediterranean Sea. But one major obstacle stood in its way: Pirates.

At that time, US vessels were often at the mercy of Barbary Pirates who dominated the shipping lanes of the Mediterranean. American ships were sometimes stolen and their sailors enslaved. Too far from North Africa to guard its seafaring citizens, the US Government turned to the Bey of Tunis for protection.

In 1799, the US signed a friendship pact with the Bey who guaranteed that "American persons and their goods" would be safe in the Mediterranean – as long as they paid tribute. Several years later, the relationship grew stronger when the US donated a battleship to the Bey as part of negotiations to end tribute payments.

The ensuing years witnessed more positive developments in the US-Tunisian relationship. In the mid-1800s, Tunisian marble was donated to the United States for use in construction of the Washington Monument.

Now, like the Washington Monument, the US-Tunisian relationship remains rock solid.

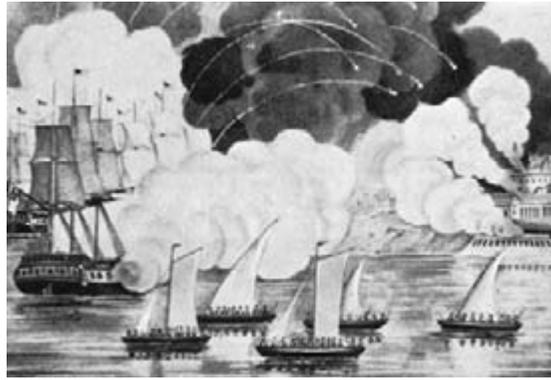
When Tunisia gained its independence from France in 1956, the US was the first country to give it formal recognition. At the time, Tunisia's young leader, Habib Bourguiba, already had a positive view of the United States for personal reasons.

During the French occupation of his country, Bourguiba was imprisoned for supporting an independence movement. However, as a result of the intervention of the American Consul in Tunis, Hooker Doolittle, Bourguiba was released. Years later, Bourguiba credited Doolittle with saving his life.

With Tunisia's independence in 1956, and Bourguiba's personal gratitude to the US Government, the stage was set to further strengthen US-Tunisian relations. The following year, a bilateral agreement with the US provided economic aid and technical assistance to Tunisia. The United States Agency for International Development (USAID) was active in Tunisia for more than 30 years, until 1994, when the country's economic progress no longer necessitated aid flows.

In addition to economic aid, military cooperation has also played a role in fostering positive ties between the two countries. The US-Tunisian Joint Military Commission meets annually to discuss military cooperation and other security matters.

The role of the US Sixth Fleet in the Mediterranean was acknowledged by Bourguiba, and US warships continue to make regular visits to Tunisia. On one occasion in 1973, the Sixth Fleet played a pivotal role in alleviating losses during a natural disaster in Tunisia: When a dam broke after days of heavy rains, Bourguiba



appealed to the US for help, and helicopters from the Sixth Fleet rescued dozens of people stranded on rooftops.

Despite the long friendship, there have been times when the US-Tunisian relationship was tested, especially in the late 1980s and early 1990s.

Cracks appeared in relations when Tunisia hosted the Palestine Liberation Organization (PLO), which had been driven out of Lebanon by Israeli forces. In 1986, the Israeli military pursued the Palestinian leadership to Tunisia, where its air force bombed PLO headquarters. Then in 1988, the PLO's second in command was assassinated by Israeli commandos at his office in Tunis.

The US was not directly involved in either of these forays, but such violations of Tunisia's sovereignty were not well-received by the country's political establishment and diplomatic protests were logged in Washington. Relations were further strained in 1990, when Tunisia raised concerns about US actions in response to Iraq's invasion of Kuwait.

It was also during this difficult period in US-Tunisian relations that Zine El Abidine Ben Ali replaced Habib Bourguiba as President of Tunisia. Since coming to power in 1987, President Ben Ali has worked hard to improve and enhance bilateral ties with the United States.

With Ben Ali's efforts, relations with the US were quickly back on track, further highlighting the willingness of the two countries to strengthen their bilateral ties.

Ben Ali's presidency has also led to an improved economic climate, and US economic assistance to Tunisia has given way to increased trade (*see related story on page 1*). In 2002, a Trade and Investment Framework Agreement (TIFA) was signed, and Tunisia is also a key partner with the United States in regional initiatives such as the US-North African Economic Partnership (USNAEP) and the Middle East Partnership Initiative (MEPI).

It is this partnership that best exemplifies the American-Tunisian dynamic. From fending off pirates together in the Mediterranean two centuries ago, to carrying out trade enhancement programs, the US-Tunisian relationship has withstood the test of time, and indications are strong that it will continue to do so in the future. ♦

In the mid-1800s, Tunisian marble was donated to the United States for use in construction of the Washington Monument. Today, the US-Tunisia relationship, like the Washington Monument, remains rock solid.



Jeddah Economic Forum: Laying the groundwork for change

Randa Fahmy Hudome

"Sometimes the helping hand we need is right at the end of our own arm."

H.M. Queen Rania of Jordan
 Jeddah Economic Forum
 January 18, 2004

"It was quite easy to mingle with the dignitaries, and all of the attendees were high level, successful businessmen and women."

In a sense, the Middle East is indeed pulling itself up by its proverbial bootstraps – and arms, and hands, and minds. There is a realization that many nations in this region must become self-sufficient on the economic front while becoming self-reliant on change from within their societies.

These facts were apparent during my recent trip to the Middle East, where I attended the 5th Annual Jeddah Economic Forum. I began my Middle East journey – which was focused on energy issues – in Riyadh, spent two days in Dhahran, flew to Kuwait, and then to Dubai.

I arrived in Jeddah after nine solid days on the road, and I was quite curious about what to expect. In these other cities I witnessed incredible diversity and transformations as a result of time, war, international trade and internal debate.

Before I arrived in Jeddah, many Saudis and foreigners alike described the seaside city as the "Miami Beach" of Saudi Arabia. The beaches were truly spectacular and the seaside inviting.

But what became clear to me was the symbolism in Jeddah – it is a city which represents not only the great diversity in Saudi Arabia itself, but also the change which is gradually taking place there and throughout the Middle East.

I attended the Jeddah Economic Forum (JEF) as part of a Council on Foreign Relations delegation led by Dr. Ray Irani, CEO of Occidental Petroleum. Our delegation consisted of leading American businessmen, businesswomen, scholars, professors and lawyers.

The JEF itself was an extremely well executed event. I have been to many of these international forums – Davos included – but never have I seen such a well-run production. All of the presentations started and ended punctually, seating was plentiful, the acoustics were good, and the question and answer sessions were lively discussions and debates of different viewpoints. It was quite easy to mingle with the dignitaries, and all of the attendees were high level, successful businessmen and women.

The first day was devoted to the local agenda: outlining a Saudi vision for economic growth. Recognizing that they must build a foundation for sustainable wealth, the Saudis are wisely reaching out to new partners in search of economic diversification. This day was also devoted to



At Jeddah homes like this one, warm receptions are a way of life.

Courtesy Saudi Information Office

social change and included presentations by prominent Saudi women debating the roles for themselves within Saudi society. As expected, this was a fascinating debate, which captured the attention of all audience members.

The second day of the Forum focused on examples of recent transformations in the region. Presenters such as Turkish Prime Minister Recep Tayyip Erdogan, Lebanese Prime Minister Rafik Hariri, and Her Majesty Queen Rania of Jordan spoke of their various experiences of internal changes in their societies and governments.

The third and final day was devoted to globalization and how changes in the world affect each country individually. Presentations featured former President Bill Clinton, Hollywood actors Chevy Chase and John Cusak, Dr. Ray Irani of Occidental Petroleum, and Supachai Panitchpakdi, Director General of the World Trade Organization. The message was clear: as all of our economies become intertwined, so will our social interaction. As such, we are destined to learn from each other's successes and failures.

In all the sessions, both during the presentations and question and answer periods, the theme was strikingly similar: change – when to do it and how to do it – economically and socially.

Saudi citizens realize that change is inevitable, but there is great debate about the "when" and "how." Presenters from around the world were there to say, "We changed and we will support and encourage you in your quest to change" – in a very positive way. It was almost as if those presenters were the coaches and the Saudi citizens were the players, with everyone on the same

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team and learning from experience. Thus, as so eloquently stated by Her Majesty Queen Rania, the Saudis themselves can begin the process of change by looking inward – and they were off to a great start in Jeddah.

That was the formal part of the program. During short breaks in between the presentations, I mingled in the women's section. We drank strong Arabic coffee and fresh mango juice, talked and exchanged business cards. I received gifts from many entrepreneurial women who had set up booths highlighting their businesses – gourmet chocolate shops, perfume factories, artisan galleries. I met two sisters who owned their own financial services company. They had two offices: one in Jeddah and one on Wall Street in New York.

Women such as these were clearly not the “oppressed women” who are so often portrayed in the Western media. Under all those *abaiyas* were smart and savvy businesswomen networking in a crowd. These are the women who are destined to make changes in Saudi society.

The social aspects of the Forum were equally illuminating. Prominent members of the Jeddah business community hosted lunches and dinners. The true Middle Eastern architecture of their homes was spectacular, the

food abundant and appetizing, the entertainment fascinating, and the conversation stimulating. As I departed a lovely lunch hosted by a gracious Saudi woman, with arms full of gifts, one of my American colleagues remarked, “Only in the Middle East do the hosts give the guests a gift for coming to their houses. Southern hospitality pales in comparison to this.”

Upon my departure from Jeddah, I could not help but feel the pull of wanting to return – for the beautiful seaside, for the hospitality, for the women, but most of all to see what changes will have taken place upon my return. These changes will take place from within – by the citizens – pulling themselves up by their own proverbial bootstraps.

The message of economic and social self-sufficiency is starting to come of age in the Arab world. They are looking eastward, westward and, yes, inward as they lay the groundwork for the years to come. ♦

Randa Fahmy Hudome is President of Fahmy Hudome International, a strategic international consulting firm based in Washington, DC. She was the former Associate Deputy Energy Secretary in the Bush Administration. She can be contacted at randa@fahmyhudome.com.

Saudi citizens realize that change is inevitable, but there is great debate about the “when” and “how.”

TIFA agreement signed with Yemen

On February 6, US Trade Representative Robert Zoellick and Yemeni Minister of Foreign Affairs, Dr. Abubaker Abdulla Alqirbi, signed a Trade and Investment Framework Agreement (TIFA). This TIFA, the fifth to be signed with an Arab nation, provides a venue for the US and Yemen to look into ways to increase bilateral trade and investment.

Zoellick praised the agreement during the signing ceremony. “I am pleased that we were able to sign the TIFA while Minister Alqirbi is in Washington. This agreement will provide a vehicle for strengthening our trade and investment relationship with Yemen, and is an integral part of the President’s initiative to advance economic reforms in the Middle East and create a Middle East Free Trade Area (MEFTA) by 2013,” Zoellick said.

The National US-Arab Chamber of Commerce supports the US-Yemen TIFA agreement. The Chamber’s President, David Hamod, hailed the signing as an “important milestone in the growing economic relationship between the United States and Yemen. Our Chamber stands ready to assist the American and Yemen Governments in their efforts to reach out to the business community.”



The TIFA establishes a United States-Yemen Council on Trade and Investment, consisting of representatives from both countries and chaired by the Office of the US Trade Representative and the Yemeni Ministry of Planning and International Cooperation.

US goods exported to Yemen in 2002 totaled \$366 million and included primarily aircraft, oilfield and drilling equipment, electrical appliances, wheat, and dairy products. US goods imported from Yemen in 2002 reached \$246 million, dominated by crude oil and coffee imports. ♦



Doing Business in Iraq: The US Government Perspective

On February 11, in Washington DC, the US Government hosted an inter-agency briefing entitled “Doing Business in Iraq: Opportunities in Investment, Trade, and Reconstruction.” The three-hour session featured speakers from the US Departments of Commerce, Treasury and State, the Coalition Provisional Authority (CPA), the Iraqi Governing Council, the Export-Import Bank, the Overseas Private Investment Corporation, and the private sector.

Donald Evans, the US Commerce Secretary, declared that the new Iraq is “emerging from the ashes of tyranny” and that the people of Iraq have begun to see the “light of freedom.” He noted that rebuilding Iraq is “central to the war against terror” and that “liberating Iraq has made America safer and more secure.” He said that economic development will put Iraqis “on the road to freedom and peace” because “business is at the strategic center of any society.”

Rend Rahim Francke, Iraq’s Ambassador-designate to the United States, announced that the 146 members of the World Trade Organization (WTO) have now granted observer status to Iraq, just the latest example of the “world community showing its confidence in Iraq.” She suggested that some 400,000 jobs have been created in Iraq since April 2003 and that there has been an “immense improvement” in the standard of living. Minimum wage under Saddam was in the range of \$3 - \$5 per month, she suggested, compared to \$60 per month now.

Rahim Francke contended that Iraq will become the “main engine of economic growth for the entire region,” serving as a headquarters for regional companies. One very important indicator of increased confidence in Iraq’s economy, she suggested, is the fact that overseas Iraqis are pouring \$5 million per day into investments in Iraq.

IRAQ: KEY RECONSTRUCTION WEBSITES

Provided by the Iraq Investment & Reconstruction Task Force
US Department of Commerce

Business Information about Iraq

US Department of Commerce	www.export.gov/iraq
US Department of State	www.state.gov/e/eb/cba/iraq
Iraqi Business Center (Baghdad)	www.iraqibusinesscenter.org
Kirkuk Business Center	http://kirkuk-business-center.org
US Commercial Service (Kuwait)	www.buyusa.gov/kuwait/en
US Commercial Service (Jordan)	www.buyusa.gov/jordan/en

Reconstruction Contracts

Coalition Provisional Authority	www.cpa-iraq.org
CPA Program Management Office	www.rebuilding-iraq.net
US Army Corps of Engineers	www.hq.usace.army.mil/cepa/iraq/iraq.htm
US Agency for International Development	http://www.usaid.gov/iraq/
United Nations Oil for Food Program	www.un.org/Depts/oip

Export Licensing

US Department of Commerce	www.bis.doc.gov
US Department of the Treasury	www.treas.gov/offices/enforcement/ofac

Finance

Export-Import Bank	www.exim.gov/iraq.htm
Overseas Private Investment Corporation	www.opic.gov



She went on to say that the Iraqi Development Survey Board at the Ministry of Planning will play an increasingly important role in coordinating contracts and serving as a liaison between Iraq’s ministries and the international community.

Tom Foley, Director of Private Sector Development at the CPA, described the situation in Iraq as a cross between the “California Gold Rush and the Wild Wild West.” He said that companies are moving quickly to take advantage of a “market with so much potential that has been in such a long sleep.” Foley admitted that the security situation and legal safeguards in Iraq are not what they might be, but he encouraged US companies to move forward soon because “you will be three, six, or nine months behind if you wait too long.”

Eleanor Lewis, the Commerce Department’s Chief Counsel for International Commerce, noted that tariffs in Iraq will drop to five percent in March and that the maximum tax rate will be 15 percent. With few exceptions, she said, US companies will qualify for “national treatment,” putting them on a level footing with Iraqi businesses. She noted that an overhauled “basic company law” will be issued within the next few weeks and that this will be followed by major changes in laws affecting intellectual property, finances and securities, labor, insurance, ethics, and the sale of state-owned enterprises.

Finally, on a somewhat sobering note, Lewis warned that the US Government “expects but cannot guarantee that Iraq will continue to move toward an open market environment” after the July 1 transition. In order to minimize risk, she suggested, US companies should concentrate on partnering, creating jobs for Iraqis, and limiting exposure by contracting rather than making substantial equity investments. ♦

NATIONAL US-ARAB CHAMBER OF COMMERCE

National Headquarters:
1023 15th Street, NW
Fourth Floor

Washington, DC 20005

Tel: (202) 289-5920

Fax: (202) 289-5938

1330 Post Oak Boulevard
Suite 1600, Office 1644

Houston, TX 77056

Tel: (713) 963-4620

Fax: (713) 963-4609

8929 South Sepulveda
Boulevard, Suite 310

Los Angeles, CA 90045

Tel: (310) 646-1499

Fax: (310) 646-2462

420 Lexington Avenue
Suite 2034

New York, NY 10170

Tel: (212) 986-8024

Fax: (212) 986-0216