This market of 10 million will not be deterred. Two years after its revolution, which sparked the Arab Spring, Tunisia is emerging as an island of economic stability, and even one of relative political stability. The protests of early February this year were a reaction to the assassination of a political leader, Chokri Belaid, who was a leading reformer and opponent of measures that would stymie efforts to make this Mediterranean nation an increasingly welcome destination for foreign direct investment (FDI). Even that event will not change the fundamental business case for a Tunisian location, as thousands of foreign companies doing business there can attest.

Let’s address Tunisia’s perception issue right away, then. In reality, Tunisia is home to a highly educated work force that takes enormous pride in its business and industry. Business owners in the capital city of Tunis, in Sousse, Sfax, Bizerta and other locations will tell you that even as the revolution of early 2011 took place, workers were at their jobs, protecting property and equipment and ensuring that business continuity would never be in jeopardy. Outside, forces of change will always be present. But inside, there is work to be done, orders to fill, customers to supply.

Business sectors benefiting from this work ethic include mechanical and electrical industries — mainly component suppliers to automotive and aerospace concerns, textiles and clothing, agricultural and energy enterprises. The vast majority of products built, grown or assembled in Tunisia are exported, mainly to European Union-based companies, but also to other European countries, the Far East and other destinations. Tunisia’s proximity to Italy and France in particular, but to all of Europe, make it a nearby, low-cost location for not only transportation equipment sector suppliers, but also research and development functions. French is widely spoken in Tunisia, giving French companies the added bonus of language commonality, and English is widely spoken in the business community.

“FDI fell about 25 percent in 2011, due to investor sentiment following the revolution,” says Mohamed Mondher Laroui, general manager of statistics at the Central Bank of Tunisia. “But in 2012, it came back in some cases to levels above where

Tunisia’s business-location case is solid, with a strategic location in the heart of the Mediterranean and a work force and work ethic that companies can count on to succeed.
it had been in 2010, prior to the revolu-
tion. The manufacturing sector grew 61 percent, but there is general improvement in all sectors, he relates.

Is this growth sustainable, especially in light of recent events? “Our growth and our sustainable develop-
ment depend in large part on our openness
to the world,” says Abdelhakim Hlima, chief executive officer at Tunisie Export (CEFEPX). “We must take advantage of the geographical position of Tunisia as a natural, regional hub on the north African coast, which is more important after the revolution. Now more than ever, we can not rely on our own capacities, but must build technology partnerships and financial partnerships and business part-
nerships with our key contribution being our geographical position.” It is up to the government to recognize this and enact the appropriate policies to capitalize on this asset, he adds. Dishes has emerged as a key commercial hub in the Gulf region because its rulers did just that, he points out. Singapore is another small country that has turned its size into a strategic location to its clear advantage.

CEFEPX is a key player in Tunisian companies’ growth plans in as much as their internal market potential is limited, but their interna-
tional potential is not. Hlima says that in 2012 there was a 50-percent increase in companies seeing their growth in increasing their markets outside Tunisia compared to the previous year. Agribusi-
ness investors would be particularly welcome in Tunisia as demand for locally grown produce increases in the near future, he reports. More than 5,300 people work at the park, where approximately $500 million has been invested to date, 95 percent of which is foreign direct investment. “Each employee is five to seven years,” he notes. “Each
year we hire about 20 additional people.”

Why Tunisia is not better recognized as an R&D center is not clear to Ben Hamida, the director of R&D for STMicroelectronics’ ST’s southern France operation. Transit
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period of ten years for the life of the company.

Full exemption on reinvested profits and income.

• Duties free profits for capital goods including merchant transport vehicles, raw materials, semi-finished products and services needed by the business.

• Possibility of selling on the local market: 30% of turnover for industrial goods and agricultural products, along with exports, duties and levies. Totally exporting companies can sell a share of their production in the local market during the year in which they ship a minimum of 45% of their turnover in exports realized during the year 2010.

Common Incentives

• Tax relief on reinvested profits and income up to 35% of the income or profits subject to tax.

• Customs duties exemption for capital goods that have no locally made counterparts.

• VAT limited on capital goods imports (1999 Finance Act provisions).

Specific Incentives

• Advantages to fully-exporting companies

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high. You can invest in your people, your human resources here and know that they will provide return on that investment.” What should investors make of Tunisia’s political situation? “The Tunisian people, and my engineers in particular, are quite mature,” says Rouis. “People here are very attached to stability and to having a good atmosphere. They are very much in favor of openness and steps that can be taken to encourage foreign direct investment. They want a healthy business environment. This is a country of services, and people know that their future is closely linked to the stability of the country.”

**How To Beat U.S. Competitors**

Eurocast, an aerospace components manufacturer was established in Tunis in 2000 on the recommendation of a parent company in the U.S. that was under a cost-reduction directive from its main customer, General Electric, a leading commercial aircraft engine manufacturer. Another key customer is Woodward, based in Rockford, Ill. The company makes fuel injection systems made of cobalt and nickel alloys for the current generation of Boeing 737 commercial aircraft, among dozens of other parts, and is in line for work on the next generation engines now in development. Among the incentives of interest to the investor were Tunisia’s 10-year tax exemption and duty-free import and export provisions. “We located in the most industrial area of Tunis because it is close to the airport and we did not want to risk not having an adequate supply of labor, especially in aerospace,” says Adel Saoudi, director of operations. The population of qualified workers here is high.” The company employs 140 directly at the Tunis site and another 40 indirectly.

The location is paying off handsomely, says Saoudi. It began work on the GE business with an order for just 20 percent of its order for the fuel injectors. It now has 100 percent, having competed successfully against PCC, a supplier in the U.S. “In 2011, our business was $9 million. In 2012, it was $14.5 million. This year, we will be $18 million, so we will have doubled in two years, taking business from a U.S. company.”

GE would prefer to have the part built in Tunis and shipped to its engine plants in Massachusetts and Ohio, incurring higher transportation costs, than to have its competitor build the part in the U.S., Saoudi points out.

**FDI Set To Ramp Up**

Tunisia has weathered two years of economic challenges — the revolution of 2011 and European economic contraction throughout 2012, and the European Union is Tunisia’s chief trading partner. “But foreign direct investment is doing extremely well,” says Hichem Elloumi, President of Electrical and Automotive Industries Federation. “But this is due largely to privatization, not industry as much since 2010.”

But Tunisia is very competitive, Elloumi argues, more so than Morocco and Eastern Europe. “We are always improving incentives for Tunisian and foreign companies, and the Ministry of Investment is right now preparing a new incentives program, which we are contributing input on.” Simplifying investment procedures is a central part of this plan and of an effort headed by the IFC to improve investment conditions.

And its strategic location remains a central asset, he points out, with easy access to the European Union and all of the Maghreb — north Africa and its 90 million population — as well as a host of Arabic countries in close proximity. “We are in an excellent location, logistically speaking.”

Elloumi says Tunisia will need to increase its visibility on the global investment stage, which it is doing, and will need to ensure social stability at places of employment and in general. To that end, UTICA helped compose a social contract between government, employers and unions. The goal is to make companies more competitive and their workers more content in terms of security and wage prospects. Workers and their employers will benefit. The government is addressing security, he notes, but U.S. companies that invest routinely in Mexico, Brazil and other markets would do well to weigh Tunisia’s strengths in that area, which are relatively enviable.

“In my experience, there has never been a security problem for investors here,” says Elloumi. Even before the constitution is finalized and a more permanent government is in place, all of which is scheduled to take place in 2013, investors will find a highly educated and motivated workforce and low-cost investment climate. “We are working to be more competitive with more growth and more employees using a system that will help companies become more productive. Tunisian and foreign companies we have shared this vision with have been very appreciative and supportive. “We are in a transition period, but I am very optimistic about the future,” says Elloumi.

FIPA Tunisia’s director general, Noureddine Zekri, meets regularly with potential investors. His message, like STMicroelectronics’ Hichem Ben Hamida, is clear: “Tunisia delivers European know how at a competitive cost.”

This investment profile was prepared under the auspices of the Tunisian Foreign Investment Promotion Agency. For more information, contact Mokhtar Chouari, international marketing director, at (216-71) 75 25 40, or visit www.investintunisia.tn.