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IMCC

***FINAL REPORT:
U.S. TRADE ASSOCIATION ACTIVITIES
IN TUNISIA
AUGUST 16 TO SEPTEMBER 12, 1993***

SEPTEMBER 30, 1993

***Submitted to USAID/NEAR EAST BUREAU
by Interamerican Management Consulting Corporation***

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September 30, 1993

Mr. Gary Vaughan
Near East Bureau
USAID
State Annex 2
515 22nd St., NW
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Washington, DC

Dear Mr. Vaughan:

Re: Final Report Concerning U.S. Trade Association Activities In Tunisia

The Interamerican Management Consulting Corporation (IMCC) is pleased to submit twelve copies (12) of the aforementioned report as the final deliverable requirement of this project for the Near East (NE) Bureau. This presents the interim findings and proposed follow-on plans.

Under separate cover, PhF has provided one (1) copy of its preliminary assessment of fourteen (14) food processing plants and one (1) laboratory. This assessment reviews their capabilities in complying with U.S. Food and Drug Administration (FDA) standards.

This latest trip reaffirmed the positive role that U.S. Trade Associations can play in promoting development opportunities; forming trade linkages with local companies; and institutionalizing organizational strengthening of indigenous trade associations. Furthermore, this project demonstrates that U.S. Trade Associations can serve as the linkage among other like-minded USAID programs and, in effect, act as an efficient multiplier for the other programs. The results presented in Chapter VI of this document attest to the validity of this view.

IMCC is appreciative of the opportunity to assist the NE Bureau in this important endeavor. Should you have any questions or require further information, please contact me by telephone or fax at the above numbers.

Very truly yours,

John G. Secondari

EXECUTIVE SUMMARY

ES-I BACKGROUND

From August 16 through September 30, 1993, the Interamerican Management Consulting Corporation (IMCC) implemented a series of recommendations presented in the company's previous report entitled, *Interim Report: U.S. Trade Association Trip to Tunisia & Morocco, June 5 to July 3, 1993*. These activities were concentrated in the Republic of Tunisia and were funded under the Market Technology Access Project (MTAP). Administrative and directional support for this activity were provided by the United States Agency for International Development (USAID) Near East Bureau and the USAID Mission to Tunisia.

ES-II PURPOSE

This project's purpose was to advance activities which demonstrate that U.S. trade associations could be instrumental in creating sustainable development programs beyond USAID funding. The following three associations participated in this and the previous project: (i) the National Pizza and Pasta Association (NPPA); (ii) the International Association of Refrigerated Warehouses (IARW); and (iii) the National U.S.-Arab Chamber of Commerce (National Chamber). As part of this follow-on activity, these associations and their members were to complete business development endeavors begun during the previous project, thus demonstrating the potential viability of associations supporting sustainable programs.

ES-III PROJECT FOCUS

Efforts were centered on four precise actions:

- Preliminary assessments of identified Tunisian food processing plants;
- Discussions with private Tunisian companies about constructing a refrigerated facility and meeting with local chambers to review a forthcoming training program;
- Review and finalization of distribution arrangements and specific products to supply the U.S. Food Service Industry; and
- Discussions with executives representing local chambers to strengthen their ties with the National Chamber and themselves.

ES-IV PROJECT RESULTS

Within the brief six week period, the project resulted in the following:

- Assessment of 14 food processing plants and one laboratory for U.S. Food and Drug Administration (FDA) compliance;
- Specific recommendations detailing actions by which these plants and laboratory could receive FDA compliance;
- Suggested implementation of training programs for particular food sanitation and processing practices in Tunisia;
- Establishment of an export distribution arrangement for sourcing olives and olive oil; tomato paste; spices; and seafood to supply the U.S. Food Services Industry;
- Agreement by memorandum of understanding to be supplied with up to ten thousand tons of pasta by a Tunisian producer;
- Assessment of sourcing potential for cuttle-fish to supply the Asian Market;
- Formation potential assessed for a consortium of Sfaxian and U.S. firms to undertake the construction and operation of Tunisia's first public refrigerated warehouse;
- Implementation of U.S.-based training program for Tunisian executives who will establish and manage a Tunisian Refrigeration Association; and
- Development of longer-range linkages among the National Chamber and its Tunisian counterparts.

ES-V COMMENTS & RECOMMENDATIONS

Each American executive appeared to be quite impressed with Tunisia and several noted that there are extensive opportunities for the Tunisians and American firms. Comments such as these clearly suggest two points:

- Tunisia represents an under-utilized and untapped resource.
- Once American firms see the country and meet the businessmen, they realize their potential.

The Interim Report identified specific measures which could be undertaken both immediately and longer-term. Several of the immediate recommendations were followed through during the August-September trip. These and other measures, however, should be continued if full self-sustainability is to be achieved. The following immediate follow-up actions, however, appear most promising:

- *Introduce FDA compliance training programs in sanitation, testing, HACCP, and others* - The Tunisian Food Processing Industry and the government laboratories and agencies could benefit as a whole from this training.
- *Follow-up on the opportunity to sell American silo technology* - Both the pasta manufacturers, food processors, and the American Embassy noted the extreme need for good silo technology.
- *Assist refrigeration companies in establishing the Sfaxian joint venture* - The on-going experience clearly indicates the need for continued support of this effort by the local chambers, USAID, the Tunisian Banking Industry, and Sfaxian businessmen.
- *Assist the local chamber in producing a Sfax business portfolio* - Sfax is an aggressive business center and its continued dynamism would benefit from a business portfolio which clearly illustrates the legal, environmental, financial, and labor services which are available to investing companies.
- *Provide more association and executive training under EI* - Tunisian association personnel and company executives will benefit from EI training and will be able to increase and improve their operational skills.
- *Establish links with American firms for technology and TA sourcing to Gulf companies for sales in that region* - Sfax is well-positioned to expand in the Gulf marketplace and it can provide an alternative, highly cost-effective means of penetrating this market.
- *Continue to maintain follow-up on activities already undertaken*

ES-VI OTHER RECOMMENDATIONS

It also is recommended that the following suggestions be seriously considered:

- *Sfax establish a financing pool of Arab Gulf and Sfaxian banks for facilitating investment* - While there are many international banks prepared to review financing proposals, their identification and contacting will take time. It is not unusual for such an effort to take twelve months or greater. The Sfax Government can provide a great service for facilitating business deals through the formation of a capital fund utilizing its Gulf contacts among others.
- *Offer a business development symposium in Sfax after six months, bringing U.S. businessmen* - The purpose of this symposium will be to introduce a more formalized and practical framework for stimulating business development activities as well as hastening their realization.

TABLE OF CONTENTS

PAGE

EXECUTIVE SUMMARY

CHAPTER I - INTRODUCTION

A.	Purpose	I-1
B.	Background	I-1
C.	Project Design	I-2
D.	Structure of this Report	I-2

CHAPTER II - ASSESSMENT OF FOOD AND DRUG ADMINISTRATION COMPLIANCE

A.	Background	II-1
B.	Summary of Findings	II-1
C.	Exceptions	II-1

CHAPTER III - PROSPECTS FOR TUNISIAN EXPORTS

A.	Overview	III-1
B.	North-South Distribution	III-1
	1. Ben Ghorbal-Memmi Partnership	III-2
	2. Distri-Gros	III-2
C.	Specific Orders	III-3
	1. Pasta	III-3
	2. Seafood	III-3
	3. Prospects for U.S. Wheat Sales	III-4
D.	Follow-Up Activities	III-4
E.	Development Opportunities	III-4
	1. Reinforced Need for Public Refrigeration	III-4
	2. Increased Revenue Potentials	III-4
	3. Improved Food Quality	III-5
	4. Increased Employment	III-5
	5. Introduction of New Technologies	III-5
	6. Expanded and Improved Grain Storage	III-5

TABLE OF CONTENTS

PAGE

CHAPTER IV - STATUS OF PUBLIC REFRIGERATION FOR TUNISIA

A.	Overview	IV-1
B.	IARW Association Activities	IV-2
C.	Business Development Activities	IV-2
	1. Wheat	IV-2
	2. Refrigerated Warehousing	IV-2
D.	Follow-Up Activities	IV-3
E.	Development Opportunities	IV-3
	1. Reinforced Need for Public Refrigeration	IV-3
	2. Increased Revenue Potentials	IV-3
	3. Increased Employment	IV-3

CHAPTER V - PROSPECTS FOR ASSOCIATION DEVELOPMENT IN TUNISIA

A.	Overview	V-1
B.	Areas of Cooperation	V-1
	1. TACC	V-1
	2. CCIS	V-2
C.	Follow-Up Activities	V-3
	1. TACC	V-3
	2. CCIS	V-3
D.	Model Refinements	V-4
E.	Concluding Remarks	V-5

CHAPTER VI - COMMENTS & RECOMMENDATIONS FOR FURTHER FOLLOW-ON ACTIVITIES

A.	General Observations	VI-1
B.	Review of Results To Date	VI-1
	1. ASH International	VI-2
	2. FLARE Corporation	VI-2
	3. IARW	VI-3
	4. The National Chamber	VI-3
C.	Suggested Follow-On Activities	VI-3
D.	Other Recommendations	VI-5

I. INTRODUCTION

A. PURPOSE

This document is the final report of business development activities initiated by a United States Agency for International Development (USAID) Near East Bureau buy-in under the Market Technology Access Project (MTAP). This report covers actions performed during the period between August 16 and September 30, 1993. It is important to review this document in conjunction with the previous report entitled, *Interim Report: U.S. Trade Association Trip to Tunisia & Morocco, June 5 to July 3, 1993*, which was published August 18, 1993.

B. BACKGROUND

In the August 18th report, the Interamerican Management Consulting Corporation (IMCC) presented a series of specific immediate and long-term recommendations for follow-on activities as a consequence of that trip. In summary, these recommendations were in support of opportunities identified by four participating associations including: (i) the National Pizza and Pasta Association (NPPA); (ii) the International Association of Refrigerated Warehouses (IARW); and (iii) the National U.S.-Arab Chamber of Commerce (National Chamber). Of immediate concern to these associations were the following:

- Initiate a compliance program so that proposed exporting food processing companies eventually could comply with U.S. Food and Drug Administration (FDA) regulations and standards;
- Start distributor negotiations between the U.S. buyer and the proposed Tunisian distributors as identified by the NPPA;
- Follow through on the formation and implementation of a Tunisian Refrigerated Association using the Tunisian-American Chamber of Commerce (TACC) and the Chamber of Commerce & Industry of the South (CCIS) as the founding organizations for this new association;
- Provide specific refrigerated association training to TACC and CCIS under the sponsorship of the IARW and with funding provided by the Entrepreneurs International (EI) training program;
- Introduce public refrigerated warehousing to Tunisia; and
- Develop closer and more formal links among the National Chamber and TACC and CCIS.

Support by the Near East Bureau and the USAID Mission to Tunisia resulted in additional MTAP funding to advance these immediate recommendations.

C. PROJECT DESIGN

This follow-on project was designed to implement as much as possible those immediate recommendations during a six week period ending September 30, 1993. IMCC used a phased approach to concentrate activities on each recommendation and included the following:

- During the first two weeks a preliminary assessment of identified Tunisian food processing plants was conducted;
- During the second week, a representative of the IARW undertook discussions with private Tunisian companies about constructing a refrigerated facility and met with TACC and CCIS personnel to review the forthcoming training program;
- During the third week, a member of the NPPA came to review and finalize distribution arrangements and specific products to supply the U.S. Food Service Industry; and
- During the third week also, the National Chamber engaged in active discussions with executives representing TACC and CCIS to strengthen their ties with other.

D. STRUCTURE OF THIS REPORT

This report is divided into an executive summary and six chapters which are:

- I This introduction;
- II A summary review of Tunisian FDA compliance;
- III A discussion of export prospects;
- IV A review of the likelihood for developing a Tunisian refrigeration industry using American technology;
- V The National Chamber's assessment of developing linkages with TACC and CCIS; and
- VI A presentation of specific recommendations.

II. ASSESSMENT OF FOOD AND DRUG ADMINISTRATION COMPLIANCE

A. BACKGROUND

PhF Specialists, Inc., a pharmaceutical and food specialists company, was contracted to perform a preliminary assessment of those companies which were identified as potential suppliers by the NPPA. These suppliers produce goods which are classified as dry, canned, and frozen food products. The purpose of this evaluation was to determine what measures, if any, each company should undertake in order to comply with the standards established by the FDA. *This assessment was not intended to supplant any FDA evaluations.*

B. SUMMARY OF FINDINGS

PhF has submitted its own report under separate cover, providing its evaluations of individual plants, as well as that firm's recommendations. In summary, Mr. Richard Stier of PhF concludes that the Tunisian companies, in general, face "house-cleaning" issues. This means that the levels of cleanliness inside and outside the plant require greater attention. For example: Mr. Stier observed that a number of plants required screened windows to keep out flies. Considering the Mediterranean climate, closed facilities are impractical. Open windows, therefore, should be accompanied by screens. In other instances, PhF noted that while plants may be very clean, the surrounding grounds could be breeding areas for infestation and vermin. On several occasions the firm recommended the cleaning-up and policing of grounds.

In addition to its reviews, PhF recommended several specific training programs which would benefit individual plants and the Tunisian Food Processing Industry as a whole. These specific recommendations are presented in PhF's report.

C. EXCEPTIONS

PhF's review of each Tunisian plant was conditional. The inspected plants were not in operation with the exception of two facilities. Mr. Stier noted that PhF cannot provide a complete and detailed assessment of any plant without observing it in operation. Therefore, PhF's recommendations in most cases are preliminary and, as such, each plant not in operation at the time of Mr. Stier's review should be assessed under operating conditions.

III. PROSPECTS FOR TUNISIAN EXPORTS

A. OVERVIEW

The NPPA identified Tunisian export distributors for the North and the South during a USAID-sponsored business development trip in June 1993. These distributors were meant to satisfy the particular needs of an NPPA member for serving the U.S. Food Industry market. Products to be supplied were classified as dry, canned, and frozen foods. The proposed distributors identified with the NPPA preferred suppliers of these products. It was recommended that each one be assessed for FDA compliance prior to export. These companies were to be evaluated during the follow-up activities by PhF.

During the week of September 3, 1993, Mr. Alan S. Herring, the President of ASH International performed the follow-on business development activities initiated by the NPPA. ASH International, a member of the NPPA, is a food brokering and import firm located in the Atlanta, Georgia area. The company's principals have enjoyed long associations with corporations of the calibre of Kraft Foods and PepsiCo. Presently, they are supplying major U.S. Food Service Industry providers and thus, are seeking product supplies within certain specifications to serve this market. Specifically, they sought to order the following:

- Tomato paste and pizza sauce;
- Pasta;
- Olives: sliced, wedged, and pitted;
- Olive oil; and
- Seafood including cuttle-fish, calamari, and anchovies.

Mr. Herring's trip had three purposes: (i) to confirm and finalize the North-South distributor arrangement; (ii) to establish and confirm product specifications; and (iii) to place orders. In support of this, Mr. Herring brought product samples of pasta, anchovies, pizza sauce, and sliced and pitted olives to demonstrate the quality standards he required.

B. NORTH-SOUTH DISTRIBUTION

ASH International continued the next phase of discussions and evaluations with the two proposed distributors for Northern and Southern Tunisia. These were the Othman Ben Ghorbal and Paul Memmi partnership for the North and Distri-Gros for the South. While ASH International

preferred to deal with only one distributor per country, its current strategy was to develop two relationships for Tunisia, until such time that either one or the other evolves into the primary distributor. This approach ensured a certain degree of redundancy which, if needed, could be put into motion without disrupting lines of distribution.

1. OTHMAN BEN GHORBAL-PAUL MEMMI PARTNERSHIP

Opening talks between the partnership and ASH International primarily concentrated on establishing specification criteria for products, packaging, and shipping. The partnership proposed to provide by early 1994 deliveries of pasta, primarily spaghetti number 12 (the most popular spaghetti size used in the United States). This pasta would be supplied by a consortium of three leading Tunisian pasta producers under private label branding. ASH International is to provide nutritional/size specifications, packaging criteria, and quantity shipments. The partnership will provide documents indicating that three specific producers will serve as suppliers of the pasta. This document is to be signed by the authorized executives from each firm, accompanied by the respective company seal, and then be certified.

At the partnership's insistence, supply of other products such as olives would be discussed later.

2. DISTRI-GROS

ASH International concluded discussions with Distri-Gros, as the distributor for the South. A memorandum of understanding will be forwarded to this company by ASH International. Initially, Distri-Gros will provide the following items:

- Olives prepared in various styles;
- Tomato paste with additives;
- Spices;
- Harissa (a pepper paste); and
- Seafood.

In addition to these items, ASH International eventually may wish to order date-fruits of the Deghlat Nour quality level or less. (Deghlat Nour is a world-renowned classification and is considered the premier variety.)

ASH International expects to be ordering seafood and spices within a short period. The tomato season does not begin until Spring 1994. Both Distri-Gros and ASH International will use this intervening period to prepare these product supplies for export. Activities will include the following: (i) FDA assessments; (ii) introduction of specialized American equipment into the tomato processing line for introducing additives such as spices; (iii) finalization of specifications

for product and packaging (number 10 cans); and (iv) agreements concerning specific quantities to be supplied.

With respect to olives and olive oil, ASH International and Distri-Gros believe that the October 1994 season is too soon to properly prepare ordering quantities. Specifically, Distri-Gros' suppliers will require the purchasing of certain special equipment (most likely from American sources) for slicing, wedging, and pitting olives. In addition, brining and storage of olives will require meeting specifications which satisfy U.S. tastes and preferences.

As part of these preparations, ASH International encouraged Distri-Gros to avail itself of the services provided by PhF. Al Herring, ASH International's President, has used PhF in the past for conforming with FDA norms. Distri-Gros readily agreed to contact PhF and to contract for FDA reviews and specific training as may be required.

C. SPECIFIC ORDERS

In addition to evaluating the two distributors, ASH International negotiated product orders from two Tunisian firms.

1. PASTA

ASH International agreed, in principle, to initiate orders of 10 thousand tons of spaghetti and other macaroni from a major pasta producer beyond the distributor network. This producer can begin shipments relatively immediately and has been inspected for FDA compliance. ASH International is providing this producer with specifications for pasta shapes; amounts by pasta size; private label packaging; boxing; and container shipments. The producer is prepared to make the necessary equipment investments to satisfy the specifications and order quantities.

It is anticipated that this producer will operate independently of the two distributors. ASH International will determine the producer's relationship with the two distributors well after the shipping and distribution system is refined.

2. SEAFOOD

Tunisia possesses a large quantity of cuttle-fish which is similar to squid. While it exports a small quantity to some European countries, Tunisia's base far exceeds local demand. ASH International's contacts in Asia offer a potential new market for this product. Oriental cultures enjoy cuttle-fish and the variety which grows in Tunisian waters would complement their diet. Mr. Herring has arrived at an initial arrangement with a Sfaxian fish processor to supply cuttle-fish in the event that ASH International's Asian clients wish to access this source.

3. PROSPECTS FOR U.S. WHEAT SALES

The Pasta manufacturer raised the issue of additional wheat requirements as pasta orders increase. At their initiative, they suggested that the U.S. could be a source for wheat and additional grain storage technology. This will be addressed, however, when pasta sales increase to levels where new grain sourcing is required.

D. FOLLOW-UP ACTIVITIES

Based on the results of this trip, ASH International is undertaking the following actions:

- Send product specifications and samples to each Tunisian distributor and the pasta and seafood suppliers;
- Engage a local Tunisian attorney as recommended by the U.S. Embassy to draft the legal agreements necessary to implement these activities;
- Return to Tunisia sometime between November and December 1993 to conclude contract activities and finalize initial ordering quantities.

E. DEVELOPMENT OPPORTUNITIES

As a consequence of ASH International's trip, the following development opportunities could accrue.

1. REINFORCED NEED FOR PUBLIC REFRIGERATION FACILITIES

ASH International's current and potential requirements will require sophisticated storage capabilities as those being pursued by the IARW and the FLARE Corporation. The Governate of Sfax is the major agribusiness center for Tunisia. Storage facilities for processed fish, vegetables, spices, and olives would be required to support Distri-Gros, the southern distributor,

2. INCREASED REVENUE POTENTIALS

Both farmers, fisherman, and processors could realize additional revenue through ASH International's orders. New orders for tomato paste, spices, pasta, and seafood will offer new markets for traditional Tunisian products. Excess supplies of tomatoes and cuttle-fish can be channeled into the U.S. Food Service market, thus increasing the values of current crops. Coupled with improved storage, the Tunisian food processing chain from farmer to processor to distributor could increase this industry's contribution to that nation's balance of payments.

3. IMPROVED FOOD QUALITY

The Tunisian marketplace could see an improvement in food quality for two reasons:

- a) Conforming with FDA norms demands that each company must produce its products at one level of quality and sanitation. FDA does not recognize export and domestic quality plants.
- b) Supplying the U.S. Food Service Industry will require that each supplier satisfy particular specifications which can exceed those establish by FDA. Economies of scale will demand standard production throughout a company's food processing facilities.

The prospect for improving the quality and sanitation of Tunisian foodstuffs is good because of this conformity. In addition, as quality increases in certain brands, market competition will force improvement in other brands.

4. INCREASED EMPLOYMENT

Sourcing by the U.S. Food Service Industry offers the potential for increased employment in Tunisia. As food processors and distributors increase their capacity over time to meet U.S.-based orders, such expansion will also affect employment. Both plants, farms, and allied service industries could experience growth and thus may require additional workers.

5. INTRODUCTION OF NEW TECHNOLOGIES

In general, present Tunisian food processing technology is at least one generation behind U.S. technology. Potential orders from ASH Industries could possibly result in purchasing of new food processing technologies for packaging, processing, and production. New technology can result in the improvement of food production quality and employment.

6. EXPANDED AND IMPROVED GRAIN STORAGE

Should pasta demand increase to potentially anticipated levels, new grain storage facilities could be required. Already, one major pasta manufacturer is considering the construction of its own grain storage facilities so that preservation and quality of grain can be assured. In the event that pasta orders grow, Tunisians will need to construct new storage facilities which conform to FDA and purchaser requirements. These can contain export as well as domestically used grains.

IV. STATUS OF PUBLIC REFRIGERATION FOR TUNISIA

A. OVERVIEW

The IARW during its previous trip in June 1993 determined that Tunisia would benefit from (i) the introduction of publicly operated refrigerated warehouses and (ii) the formation of a Tunisian Refrigerated Warehousing Association. The IARW's rationale for this conclusion was the following:

- Refrigerated storage is in the control of a small number of private and parastatal companies for their own internal use; Refrigerated warehousing is not available to the public at large.
- Tunisia's climate requires far more extensive and qualified refrigeration facilities than presently exist.
- Comprehensive and effective refrigerated storage can only occur if quality standards are defined and enforced.

As a consequence of these observations, the IARW suggested that (i) TACC and CCIS serve as the base for forming a Tunisian Refrigeration Association; (ii) both chambers provide staff for U.S.-based training under the EI program; (iii) the new association establish and enforce the quality standards; and (iv) the IARW send members to Tunisia qualified to represent the association and able to form business collaborations with Tunisians to introduce public refrigerated warehousing.

During the week of August 26, 1993, Mr. Robert S. Murphey, Jr., a senior executive of the FLARE Corporation and representing the IARW, performed the follow-on business development and association activities which were initiated by the IARW. FLARE, a member of the IARW, is a refrigerated warehousing consulting and management firm located in Richmond, Virginia. The company and its parent company, Richmond Coldstorage, operate and/or own several public refrigerated warehouses, primarily located on the Eastern seaboard of the United States. These companies' principals have active business associations with many Fortune 1000 corporations from the food industry including firms of the calibre of RJR-Nabisco.

Mr. Murphey's trip had two main purposes: (i) to conduct further meetings with TACC and CCIS regarding the formation of a local refrigeration association and the training to be given in the United States during mid-September; and (ii) to develop the basis for creating deals which would result in the development and operation of public refrigerated warehousing utilizing American equipment.

B. IARW ASSOCIATION ACTIVITIES

Mr. Murphey met with key executives of TACC and CCIS to discuss forthcoming training activities and future linkages with the IARW. Discussion primarily focused on training activities which are believed essential for successful development of a Tunisian Refrigerated Warehousing Association. Elements which were presented as important aspects of this program were the following:

- Visits to U.S. Mid-Atlantic refrigerated warehouses to develop an understanding and appreciation for the complexities of their operations;
- Meetings with refrigeration executives to further appreciate the factors which affect the industry;
- Reviews of technical issues which affect refrigerated warehousing including environmental considerations and equipment; and
- Training in association operations - both IARW as well as general association operations, which will be beneficial for the overall operations of both chambers.

This training is presently underway as of this writing, with its planned completion prior to September 30. Future actions will depend upon the outcome of this program's results. During this trip, Mr. Murphey and FLARE will submit a proposal to CCIS for possible continued activities in refrigeration association development as well as specific private sector projects which CCIS may wish to explore.

C. BUSINESS DEVELOPMENT ACTIVITIES

A second and equally important part of this trip was the follow-on of business development activities which became known during the previous trip.

1. WHEAT

Mr. Murphey represented the suppliers of 50,000 tons of American durum wheat (non-subsidized) based on Mr. Michael Shaw's (IARW's Vice-President who participated on the first trip) discussions with Mr. Paul Memmi. It was discovered, however during the course of a meeting with Mr. Memmi that the Norwegian Government was providing 100,000 tons of wheat and a 100,000 ton capacity storage silo gratis. Thus Mr. Memmi was no longer interested in pursuing the arrangement.

2. REFRIGERATED WAREHOUSING

Sfax is the most logical center for a refrigerated warehousing industry because of its importance as an agricultural and fishing center. Mr. Murphey met with several prominent Sfaxian businessmen to determine their interest in pursuing this concept. One business leader was interested in forming a joint-venture among Tunisians and Americans to construct and operate a 75,000 square foot facility, serving the fishing community as well as other food processors. It is estimated that such a project has a potential value in the low seven figures range (US dollars) and would utilize American technology. Financing is now the major issue. Should this, however, be resolved, the first operating public refrigerated facility could be open for business seven to nine months after financing is arranged.

D. FOLLOW-UP ACTIVITIES

Based on the outcomes of this trip, FLARE is undertaking the following actions:

- Preparing and submitting a proposal to CCIS to establish refrigeration facilities in Sfax;
- Identifying American businesses who may be interested in participating in the first Sfax facility; and
- Reviewing the financing options available to FLARE and the Sfaxians to make the first refrigerated facility a reality.

E. DEVELOPMENT OPPORTUNITIES

As a consequence of the FLARE/IARW trip, the following development opportunities could accrue in support of ASH International's activities.

1. REINFORCED NEED FOR PUBLIC REFRIGERATION FACILITIES

ASH International's current and potential requirements will demand sophisticated storage capabilities such as those being pursued by the IARW and the Flare Corporation. Storage facilities for processed fish, vegetables, spices, and olives would be required.

2. INCREASED REVENUE POTENTIALS

Farmers, fisherman, and processors could realize additional and more consistent revenue streams through FLARE's construction and management activities. Excess supplies of tomato paste, spices, pasta, and seafood will offer new markets for traditional Tunisian products, thus increasing the values of current crops. Coupled with improved storage, the Tunisian food processing chain

from farmer to processor to distributor could increase this industry's contribution to that nation's balance of payments.

3. INCREASED EMPLOYMENT

Sourcing by the U.S. Food Service Industry offers the potential for increased employment in Tunisia. As food processors and distributors increase their capacity over time to meet U.S.-based orders, such expansion will also affect employment. The refrigeration industry will require expansion to support this growth.

V. PROSPECTS FOR ASSOCIATION DEVELOPMENT IN TUNISIA

A. OVERVIEW

During the week of September 3, 1993, Ms. Sarah L. Crawford, representing the National Chamber performed follow-on business activities based upon the National Chamber's previous visit to Tunisia.

The goal for the National Chamber's September trip was to determine the present level of development of TACC and CCIS and what areas both chambers need to examine to enhance their membership potential and overall services to their constituents.

These two chambers were selected because they are the two leading trade groups capable of helping American businesses enter the Tunisian market, as well as aiding Tunisian companies searching for larger export niches.

The National Chamber's objectives in meeting with TACC and CCIS were to identify areas for development, including the following:

- Improve current services offered to TACC and CCIS members;
- Adopt promotional methods used to "advertise" services available;
- Develop a stronger network of companies that can sponsor events, and advise on the topics of future programs; and
- Promote and establish closer linkages with the National Chamber, and other trade associations/chambers which would lend resources to Tunisian companies eager to form joint ventures.

B. AREAS OF COOPERATION

1. TACC

TACC will be hiring a new executive director with the departure of Mourad Dakhli, who is pursuing a graduate degree in the United States. Discussions centered on having the new executive director come to the United States through an EI training program. This proposed program would be designed to introduce this new hire to operations and functions of a chamber of commerce. Areas to be covered under such a training program might include the following:

- The services provided to member companies, including certification, research programs, mission arrangements, and company to company contacts.
- Meetings with the U.S. Chamber of Commerce to learn how they serve their constituents.
- Meetings with the National Association of State Development Agencies (NASDA) to develop an appreciation and understanding regarding how development offices help their respective regions/states.
- Meetings with American companies already doing business in Tunisia, or expressing an interest in entering the market, in order for TACC to understand the kind of support these companies require on the ground in Tunisia.

In addition to possible training, TACC and the National Chamber discussed the linking of the U.S.-Arab DataNet (USADN) through IRSIT. TACC may be required to purchase new, compatible computer equipment. This purchase, however, would be a very good investment since through the USADN, a new service could be provided to members and TACC would become a direct on-line link to U.S. trade information. USADN is an on-line trading and information service. It links U.S.-Arab Chamber members with trading partners in thirty countries and other Arab Chamber members from sixteen countries. Through USADN, users can send, receive, and respond to electronic mail and trade leads instantaneously. USADN users can search various on-line databases including : (i) Dun & Bradsteets's Market Identifiers; and (ii) the U.S. Securities & Exchange Commission's (SEC) SEC Online.

2. CCIS

CCIS, based in Sfax, is by far the most active of all the chambers in Tunisia, and the best role model with which to work. This chamber has 45,000 members, mostly representing the agribusiness, manufacturing, and fisheries sectors. (Sfax is the agricultural and commercial center for Tunisia.) CCIS offers a good membership package which includes (i) reductions in program fees; (ii) summaries of the periodicals CCIS receives; and (iii) priority for certification. The CCIS membership package is similar to that offered by the National Chamber in the United States.

a) *Linkage with USADN*

CCIS is already in contact with IRSIT in Tunis, and has a modem. The National Chamber should work as a back-up to ensure that the connection is completed between IRSIT and CCIS. This chamber has already designed its own database for its members, and is far more advanced in this regard when compared to any similar Tunisian organization. USADN personnel should work to support CCIS efforts.

b) *Association Development*

Two CCIS staff members are participating in an IARW-sponsored training program, supported by the EI program. This training introduces the participants to a U.S. trade association which is member-oriented, and is already doing business overseas. This program, recommended by the National Chamber, and designed by the IARW and EI, will provide the CCIS with a clear understanding of how a trade association operates organizationally, in order to integrate a serviceable refrigerated warehouse network.

c) *Other Exchanges and Support*

The National Chamber has been asked by CCIS to provide (i) samples of all its publications; (ii) USADN brochures and technical requirements; (iii) descriptions of arbitration services; and (iv) precise examples of how the National Chamber follows-up on information requests. This process is tracked from incoming letter or fax request through the posting of the final package to the member.

C. FOLLOW-UP ACTIVITIES

Based on the results of this trip, the National Chamber will be undertaking concrete actions to support the growth and capabilities of these two Tunisian chambers.

1. TACC

At the suggestion of the National Chamber, TACC will apply to the USAID Mission to Tunisia to have its new executive director participate in the EI program. They are also designing a program with the International Executive Services Corps (IESC) which is planned to be a series of seminars to be offered to Tunisian companies. These seminars will include training in the following disciplines:

- Financial and organizational management;
- Business plan design; and
- quality control, among others.

Offering this training represents a big step both for TACC and IESC in increasing their visibility in the Tunisian business community, and will enhance their credibility as serious resources to be utilized by that community.

2. CCIS

At this writing, CCIS is well along in offering its membership more comprehensive services. The next step is to ensure that this chamber is linked to IRSIT so that it can access USADN. This

21

accessibility will increase CCIS' capabilities to the point that this chamber can conceivably make it one of -- if not the -- leading trade associations in Tunisia.

D. MODEL REFINEMENT

The present undertakings of this summer indicate that both trade associations and chambers of commerce can offer a significant contribution to business development activities and self-sustaining programs within developing countries. The close relationships which have been developed among the IARW, NPPA, TACC, and CCIS provide an indication of the role trade associations can play in developing nations. Lessons learned during this activity suggest that a working relationship must be developed among U.S.-based associations, the USAID Mission, and local associations. In concert, these three parties can develop actions which will be mutually supportive of overall development and private sector goals. In developing this relationship the following (among others) should be considered.

- *Bureau and Mission Development Objectives* - It is crucial to consider near-term and long-range development objectives of AID Regional Bureaus and USAID Missions. For example, the USAID Mission to Tunisia sought to further develop the agribusiness and other sectors through a variety of programs such as IESC, the U.S. educational program for Tunisians, and the institutional development of TACC. Use of U.S.-based associations considered these factors with a focus on agribusiness because of its development priority; its private sector potential; and the international interest of U.S. Food Sector associations in international ventures. The IMCC program linked IESC and TACC activities and the educational undertakings with agribusiness activities to develop a demonstrable result in the private sector.
- *Trade Association Objectives* - Careful identification of trade associations by sector is an essential ingredient. Consideration should be given to the point that not all trade associations are equal (i.e., they do not pursue the same objectives or offer the same services). Therefore it is important to select "forward-looking associations" which seek to advance member interests and international ties. Referring to the Tunisian example once again, the food industry in the U.S. is one sector which has an active interest in overseas markets for sales and sourcing. This linked well with some of the Tunisian capabilities. Furthermore, associations were selected which represented broad and vertical facets of that industry from end use to equipment supply. The focus of these associations represented the following:
 - NPPA acts as a broker for its members, identifying business opportunities for sourcing food products which satisfy food service, industrial, and commercial uses.

- IARW searches for other associations world-wide to join its ranks. In addition, it represents companies capable of constructing refrigerated warehouses. Introducing new technologies overseas can help IARW to expand its international membership.
- Food Processing Machinery & Supplies Association (FPM&SA) seeks to establish inter-association relationships as well as offer avenues for its membership to sell their products.
- *Exponential Linkages with Other USAID Programs* - A third and equally important factor is the ability to link with existing USAID programs in the specific nation. By allying several programs, both the Mission and the Bureau can exponentially increase each program's effectiveness at a minimal additional cost. For example both Tunisia and Morocco have several on-going programs with which linkages were established during this project. In the case of Tunisia, the project developed relationships with IESC, TACC, the EI program, and indirectly the U.S. educational program. Tunisia participated in an integrated fashion with (i) IESC performing preparatory work and providing follow-on coverage; (ii) TACC/CCIS providing assistance in establishing contacts and training; (iii) and EI providing the foundation for offering a U.S.-based association training program. The Moroccan Agricultural Promotion Project (MAPP) provided a similar function by taking on the IESC and TACC/CCIS roles. Presently, MAPP is providing follow-up assistance to IARW and NPPA.

This recent experience strongly suggest that if these three components are incorporated in an association program, then the opportunities for success and sustainability will increase.

E. CONCLUDING REMARKS

The National Chamber believes that CCIS should be used as a model for how a Tunisian association can work. It also recommends that both TACC and CCIS perhaps cooperate more closely, so that TACC sees in practice what has been discussed theoretically. The National Chamber, however, appreciates the difficulty of implementing this recommendation because of the rivalry and competition between the North and South of Tunisia.

The National Chamber also is of the belief that the current participation of the TACC and CCIS personnel in the IARW training program, as well as the eventual training program for the new TACC executive director, will do much in furthering institutional development, and providing some of the essential services required for American companies interested in pursuing commercial activities in Tunisia.

VI. COMMENTS & RECOMMENDATIONS FOR FURTHER FOLLOW-ON ACTIVITIES

A. GENERAL OBSERVATIONS

It was observed consistently that each American executive was quite impressed with Tunisia. Several believe that there are extensive opportunities for the Tunisians and American firms. While the Agribusiness sector is the most obvious because of the nature of this business development mission, the U.S. executives noted opportunities for advanced machinery sales for manufacturing; state-of-the-art construction technology utilized by U.S. firms; and significant opportunities in the aluminum and food processing machinery, to name a few. One executive in particular identified fifteen to twenty potential projects while there.

Comments such as these clearly suggest two points:

- Tunisia represents an under-utilized and untapped resource.
- Once American firms see the country and meet the businessmen, they realize their potential.

Obviously from a business development vantage point this can represent good opportunities for U.S. technology sales. How does this, however, help the Tunisians and their country's development? Increased business development activity in Tunisia can act as a catalyst for expanding employment; increasing prospects for better quality employment; improving the Tunisian standard of living and quality of life; and diversifying the country's productive base to more sophisticated traditional industries, as well as the introduction and development of new ones.

If one thing is clear, the Near East Bureau's program of introducing associations to Tunisia and to development has made these observations possible. With the heightened interest the question arises as to what are the next steps?

B. REVIEW OF RESULTS TO DATE

The two business development missions conducted June, August, & September 1993 are now producing tangible outcomes which can be linked to the trips' efforts as well as to the assistance of the USAID Missions, IESC, and MAPP. A summary of these results within the limitations of confidentiality are discussed below.

1. ASH INTERNATIONAL

Mr. Al Herring and/or one of his senior executives plan to return to Tunisia sometime between November and December 1993 to sign legal contracts with specific companies/groups in Tunisia. Two memoranda of understanding are being forwarded to the appropriate parties. In conjunction with this, the following activities will be taking place before year end:

- Shipment of samples and specifications to Tunisia for pasta, olives, and tomato paste including the following:
 - packaging specifications;
 - labelling and branding including Universal Bar Codes and nutritional information conforming with new U.S. standards; and
 - boxing and shipping standards.
- Determination of ordering quantities from Tunisian distributors and suppliers during 1994 and beyond.
- Travel to Morocco under the MAPP cost-sharing approach during October 1993 to finalize contracts, specifications, and quantities of product.
- Qualification of specific food processing equipment required for completing orders.

In addition to this, Mr. Herring has received the agreement of the Tunisian Southern Distributor to engage the services of PhF and IESC to assure current and continued FDA compliance. Both parties are being placed in contact with said individual. Further, Mr. Herring has entered into business discussions with prospective Asian buyers of cuttle-fish, recognizing that the species and quality they normally purchase is not at the level of the Tunisian variety.

Longer-term activities will include a focus on the development of tomato paste and olives through the acquisition of equipment and the adoption of production specifications. Also, the expansion of pasta production, implementation of spices, and the increase of seafood orders will be an important aspect of ASH's activities. Mr. Herring eventually looks to source several hundred thousand of cases of products per year from Tunisia and Morocco.

2. FLARE CORPORATION

Mr. Murphey identified several potential projects revolving about refrigerated warehousing. The first is the construction and operation of a public refrigerated facility in Sfax. Other potential projects involve milk and juice processing as well as the development of an industrial park.

Within the immediate range of activities, FLARE Corporation is performing the following:

- Preparation of a business development proposal to CCIS once specific information has been provided by that organization.
- Continuation of working with a Sfaxian group of investors to build the first refrigerated warehouse.

The difficulties FLARE is encountering concern financing issues. The investment group, while it is prepared to put up its own capital, also wishes to secure bank financing. How and where to source this financing is the major stumbling block. In the event that the financing issue is resolved, the first project will have a value in the low seven figures.

3. IARW

As of this writing, the IARW is sponsoring a Tunisian training program so that a Tunisian refrigerated industry and association can be developed. This activity is linked with FLARE's business endeavors to establish the first public refrigerated facility in Sfax. The IARW views its efforts not only from the vantage that it could gain a new association member, but also from the view that this is an opportunity to gain an important foot-hold for American refrigerated technology.

4. THE NATIONAL CHAMBER

Closer ties are being developed with TACC and CCIS with this increasing interest in Tunisia by the National Chamber and its members. Recent international events focused on Tunisia. This may have heightened interest in the nation. Access to USADN will increase the capabilities of TACC and CCIS to serve U.S. firms as well as their constituent members.

C. SUGGESTED FOLLOW-ON ACTIVITIES

The Interim Report of August 18, 1993 identified specific measures which could be undertaken both immediately and longer-term. Several of the immediate recommendations were followed through during this last trip. These and other measures, however, should be continued if full self-sustainability is to be achieved. The recommendations made in the Interim Report still stand and should be implemented if possible. In the meantime due to this last trip, the following immediate follow-up actions appear most promising:

- a) *Introduce FDA compliance training programs in sanitation, testing, HACCP, and others* - PhF will be following through on this recommendation with Distri-Gros. However as noted by PhF, the Tunisian Food Processing Industry and the government laboratories and agencies could benefit as a whole from this training. Perhaps PhF and IESC can link together to provide these technical training programs which can only result in vastly improved food quality.

- b) *Provide key food processors with assistance to reach FDA standards so that sales to the Arab Gulf and elsewhere become possible* - Both CCIS and individual producers noted that there are opportunities in the Gulf market for Tunisian products. Unfortunately, some of these products have been rejected because they did not satisfy Saudi and Gulf standards. (Those standards are modeled after FDA criteria.) Food processors prepared to export should be supported. PhF is intending to propose a comprehensive training and development program to CCIS. This company has similar experience in Morocco.
- c) *Follow-up on the opportunity to sell American silo technology* - Both the pasta manufacturers, food processors, and the American Embassy noted the extreme need for good silo technology. IESC is assisting an American company to sell this technology. This approach should be continued and expanded to satisfy demand.
- d) *Assist refrigeration companies in establishing the Sfaxian joint venture* - FLARE's on-going experience clearly indicates the need for continued support of this effort by CCIS, USAID, the Tunisian Banking Industry, and Sfaxian businessmen. The main stumbling block appears to be financing. However, various forms of support could also be provided to help this deal be completed.
- e) *Assist CCIS in producing a Sfax business portfolio* - Sfax is an aggressive business center and its continued dynamism requires specific business development assistance. Companies such as FLARE and ASH International can benefit from a business portfolio which clearly illustrates the legal, environmental, financial, and labor services which are available to investing companies. This will answer many basic questions and can hasten the business development process.
- d) *Provide more association and executive training under EI* - Tunisian association personnel and company executives will benefit from EI training. Associations will be able to increase and improve their operational skills as was done during the IARW training. Tunisian executives could receive highly targeted training in areas that are crucial to their industries' development and expansion such as specific training in buyer requirements, quality, etc.
- f) *Establish links with American firms for technology and TA sourcing to Gulf companies for sales in that region* - CCIS is well-positioned to expand in the Gulf marketplace. This should be more strongly parlayed to American firms who are considering technology transfer and assistance to Sfaxian firms. Sfax can provide an alternative, highly cost-effective means of penetrating Gulf markets.
- g) *Continue to maintain follow-up on activities already undertaken* - The outcomes of this and the previous mission clearly demonstrate the need to continue follow-up activities which will assist in successfully completing those business dealings.

At the same time, FDA assessments and improved food quality and processing will need continuity in assuring smooth development and transition. This can only be accomplished if the USAID Mission to Tunisia can maintain the momentum developed through follow-on efforts.

D. OTHER RECOMMENDATIONS

Beyond these immediate action items, it is recommended that the following suggestions be implemented.

- a) *Sfax establish a financing pool of Arab Gulf and Sfaxian banks for facilitating investment* - The key aspect to any business deal is the financing mechanisms available. FLARE's experience with the Sfaxian businessmen is a good example for the need to develop and offer alternative financing mechanisms. Most business deals of the type which FLARE is discussing will carry a certain degree of debt load, whether that be 20%, 40% or greater. It is the exception that investors will cover the total capital cost of a project. While there are many international banks prepared to review financing proposals, their identification and contacting will take time. It is not unusual for such an effort to take twelve months or greater. Both the Sfax Government and CCIS can provide a great service for facilitating business deals through the formation of a capital fund. This would be used for partially financing private sector projects such as the refrigerated warehouse under standard commercial banking approaches. The advantage a capital fund offers is its direct accessibility for evaluation. Prospective business ventures could provide financing proposals to this capital fund, rather than search for interested banks, contacting them, and then submitting a financing proposal. ***This does not guarantee that each proposal will be evaluated favorably.*** Rather it provides investors the opportunity to rapidly access a capital fund for project evaluation. Should CCIS and the Sfax Government wish to undertake this, it is suggested that both select Arab Gulf and Tunisian banks could form the capital fund pool. In the event that this suggestion is implemented, the Government and CCIS will note that business deals will become reality at a swifter pace than is presently possible.
- b) *Offer a business development symposium in Sfax after six months, bringing U.S. businessmen for a follow-on effort* - A second recommendation for evaluation is the sponsoring of a business development symposium in Sfax. This should involve senior representatives from local institutions such as banking, government, and industry. Also included should be prospective foreign investors including those from the U.S. The purpose of this symposium will be to introduce a more formalized and practical framework for stimulating business development activities as well as hastening their realization.