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**Doing Business in North
Saharan Africa** 8. 2. 2004



Said Cherkaoui, Ph.D.
Email: glocentra@usa.com - Phone: 1 + 510-382-9040

Center for International Trade Development
International Business Development Seminar Series
Doing Business in Africa

When: Tuesday, October 5, 2004 - Time 8:45 am - 1:00 pm
Where: United States Department of Commerce
250 Montgomery Street, 14th floor, San Francisco CA 94104

Seminar on
Morocco – Algeria – Tunisia



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Presenter:



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Dr. Cherkaoui's career combines an international consulting practice, executive and managerial business duties with E-Learning practices, applied research and academic responsibilities in Europe and the United States of America.

He has a successful record in international trade, business, and market development for various economic sectors which span from food-agriculture to information technology and telecommunications. He is actually involved in trade and project development in Morocco, Tunisia, the rest of Africa, the Middle East and China.

During June 2004, Dr. Cherkaoui has represented 15 Californian companies at the Casablanca American Café Food Exhibit organized by the USDA in Morocco.

Dr. Cherkaoui has held Executive and Senior Management positions at Global Center for Trade (GLOCENTRA), East Bay Center for International Trade Development and California-Mexico Trade Assistance Center, Mercanteo/Amient, Sprint, Everex, the San Francisco Chamber of Commerce, Baker Associate and as Researcher in France.

Dr. Cherkaoui is a published Author of inserts in a dictionary on Africa, Middle East, the construction of the European Market, the North American Free Trade Agreement (NAFTA), Brazil, China (telecommunications) and Custom Relationship Management.

Dr Cherkaoui holds a Doctorate in Economics with Honors from the Universite de Sorbonne, Paris, France. His graduate studies concentrated on the industrial role of the Moroccan State.

Dr Cherkaoui also received his DEA degree in Prospective Science from l'Institut de Prospective et de Politique de la Science, Universite Pierre-Mendes France, (UPMF) Grenoble, France and a Diplome du Second Cycle in Economics & Finance from L'Institut d'Etudes Politiques, UPMF, Grenoble, France. His Bachelor of Arts degree in Accounting, Economics and Statistics is from the same Institute.

Dr. Cherkaoui also holds several U.S. technical and professional certificates on Telecommunications, Information Technology, Entrepreneurship, Online Teaching, Sales, International Trade, Trade Finance, Export-Import operations and Trade with Mexico.

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KINGDOM OF MOROCCO



Kingdom of Morocco is situated in northwestern Africa with coasts on the Atlantic Ocean and the Mediterranean Sea; it is bordered by Algeria to the east and Mauritania to the south.

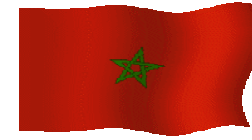
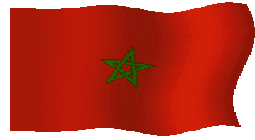


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KINGDOM OF MOROCCO

Overview



- Kingdom of Morocco is a Muslim country that observes Ramadan. About 1 percent of the population is Christian, and less than 0.2 percent is Jewish.
- Morocco Time Difference: GMT (GMT + 1 in summer).
- Morocco has an extensive infrastructure, including 10 main ports and 6 international airports.

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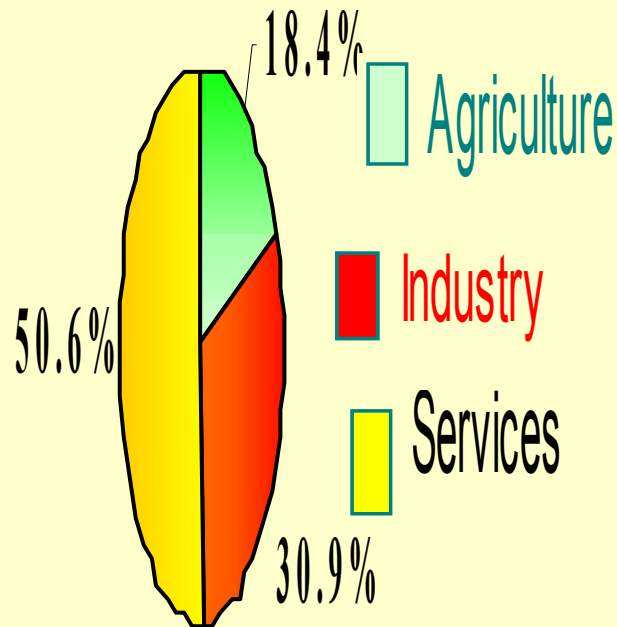
Economic Indicators of Morocco



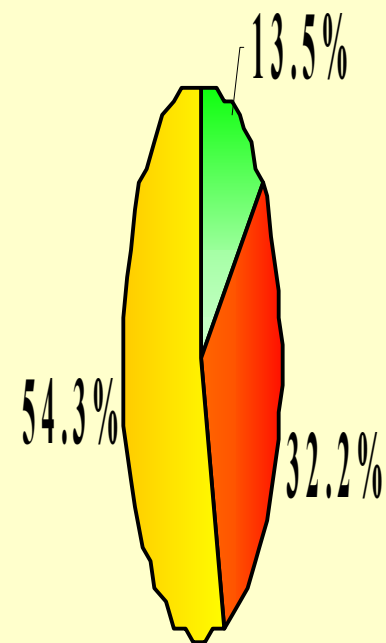
Morocco Population: 32,209,101 (July 2004 est.)

GDP BY SECTOR

1980



2000



Morocco purchasing power parity - \$128.3 billion (2003 est.)

Source: http://europa.eu.int/comm/trade/issues/bilateral/countries/morocco/docs/econo_morocco.xls

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KINGDOM OF MOROCCO



- Government of Morocco is limiting spending, reducing constraints on private activity, liberalizing foreign trade, and achieving sustainable economic growth.
- The Moroccan Dirham is a floating currency, subdivided into 100 centimes. In various parts of Morocco you may hear prices quoted in francs, pesetas, or rials, units of currency used during colonial periods.

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KINGDOM OF MOROCCO



- The Moroccan economic activity is strongly dependent on the export of raw materials, such as phosphate.
- Morocco has eliminated most restrictions on imports originating from other GATT member countries but some trade barriers still exist in the form of customs duties and value-added taxes.
- A free trade zone exists in Tangier.

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USA - MOROCCO

Two Centuries of Friendship



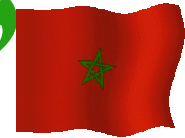
- Morocco is the first country to recognize the United States and formal relations between the two governments date back to 1787 when the two nations ratified a Treaty of Peace and Friendship. Re-negotiated in 1836 and still in effect, it stands as the longest unbroken treaty in US history.
- A Free Trade Agreement (*FTA*) was recently signed between the two Governments of Morocco and the USA.

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FTA - USA - MOROCCO



Some Key Provisions

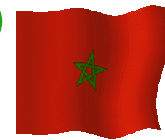
- Under the terms of the agreement, "American workers, consumers, investors and farmers will enjoy preferential access to Morocco's \$11 billion import market, lying at the crossroads of North Africa, Europe and the Middle East." declared the US Trade Representative Robert Zoellick.
- The Moroccan government, he said, has launched "a comprehensive economic reform program that is aimed at reducing inflation, developing the tourism sector, eliminating barriers to investment, and liberalizing key services sectors such as telecommunications. The free trade agreement with the United States, with its emphasis on transparency and the rule of law will enhance and solidify those reforms."

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FTA - USA - MOROCCO



Some Key Provisions

- Some of them, the US-Moroccan joint statement said, are:

"New Opportunities for US Workers and Manufacturers":

- More than 95% of bilateral trade in consumer and industrial products becomes tariff-free immediately, with all remaining tariffs eliminated within nine years.
- Key US export sectors benefit, such as information technology products, construction equipment, machinery, chemicals, and many more. This is the best market access package negotiated yet with a developing country in a US bilateral free trade agreement.

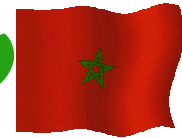
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FTA - USA - MOROCCO

some Key Provisions



- **"Expanded markets for US Farmers and Ranchers":**

The agreement covers all agricultural products and will open Morocco's market to US farm products. US poultry, beef and wheat will benefit from greater access under tariff-rate quotas, giving US farmers and ranchers a new tool to compete against Canada and the EU in Morocco's market.

- Tariffs on corn, sorghum, and soybeans will be cut "significantly" or eliminated immediately, allowing US exporters to respond to Morocco's growing need for feed ingredients. And processed foods, nuts, and horticultural products will gain significant new market access.

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FTA - USA - MOROCCO



Some Key Provisions

- **"Access to Services":**

The agreement offers new access for US banks, insurance companies, telecommunications companies, audiovisual services, computer and related services, express delivery companies, distribution services and construction and engineering services.

- **"A Trade Agreement for the Digital Age":**

State-of-the-art protections and non-discriminatory treatment are provided for digital products such as US software, music, text, and videos. Protections for US patents, trademarks, copyrights, and trade secrets follow the high standards of US bilateral free trade agreements.

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FTA - USA - MOROCCO

Some Key Provisions



- **"Strong Protections for US Investors":**

The Agreement establishes a secure, predictable legal framework for US investors in Morocco.

- **"Open and Fair Government Procurement":**

The agreement provides for ground-breaking anti-corruption measures in government contracting. US firms are guaranteed a fair and transparent process to sell goods and services to a wide range of Moroccan government entities.

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FTA - USA - MOROCCO

Some Key Provisions



- **"Strong Protections for Labor and Environment“:**

Both parties commit to effectively enforce their domestic labor and environmental laws, and the agreement includes a cooperative mechanism in both labor and environmental areas.

Already, for example, the US Environmental Protection Agency and the US Agency for International Development have developed a new environmental project in Morocco focusing on that country's capacity to develop its environmental laws, institutions, and enforcement.

A cooperative mechanism on labor will promote respect for the principles embodied in the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and compliance with ILO Convention 182 on the Worst Forms of Child Labor.

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U.S. – MOROCCO: Export/Import

Year-to-Date 2004 - Morocco

By 1-digit SITC commodity - In millions of dollars - 1-digit SITC Commodity



Exports

Imports

| | | |
|--|---------------|---------------|
| <i>(0) Food and Live Animals</i> | 88.77 | 45.92 |
| <i>(1) Beverages and Tobacco</i> | 5.04 | 0.10 |
| <i>(2) Crude Materials, Inedible, Except Fuels</i> | 24.39 | 61.17 |
| <i>(3) Mineral Fuels, Lubricants and Related Materials</i> | 7.01 | 80.97 |
| <i>(4) Animal and Vegetable Oils, Fats and Waxes</i> | 2.33 | 14.78 |
| <i>(5) Chemicals and Related Products, N.E.S.</i> | 17.93 | 3.96 |
| <i>(6) Manufactured Goods Classified Chiefly by Material</i> | 11.15 | 8.68 |
| <i>(7) Machinery and Transport Equipment</i> | 195.37 | 73.24 |
| <i>(8) Miscellaneous Manufactured Articles</i> | 11.94 | 58.12 |
| <i>(9) Commodities and Transactions, N.E.S.</i> | 11.60 | 3.45 |
| TOTAL: | 375.53 | 350.39 |

Source: <http://www.census.gov/foreign-trade/sitc1/2004/c7140.html#13>

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MOROCCO – Relation with E.U.



- The EU-Morocco Association Agreement was signed in Brussels, on 26 February 1996, and following its ratification by the Parliaments of the 15 EU Member States, the European Parliament and the Moroccan Parliament, entered into force on 1 March, 2000. It replaces the 1976 Co-operation Agreement.
- During the third Association Council (24 February 2003), the European Union and Morocco decided to intensify bilateral co-operation in the framework of the Association Agreement by establishing six strategic sub-committees in the following areas: the internal market; industry, trade and services; transport, environment and energy; research and innovation; agriculture and fisheries; and justice and security.

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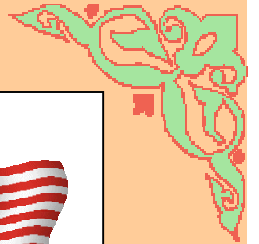
MOROCCO – Relation with E.U.



- Trade between the EU and Morocco has flourished in the last decade.
- EU imports from Morocco almost doubled between 1993 and 2002 (growing from 3394 million EUR to 6265 million EUR).
- EU exports to Morocco rose from 4237 million EUR in 1993 to 7624 million EUR in 2002).
- Total trade reached 14 billion EUR in 2002.
- The EU is Morocco's biggest trading partner and the balance of trade is still in the EU's favor.

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MOROCCO – E.U. & U.S.



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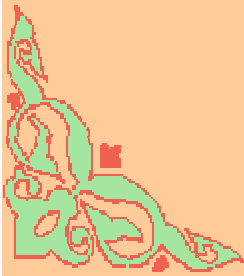
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- The EU-Morocco trade agreement can be translated as additional business and trade opportunities for US companies.
- Areas of interest for U.S. investment can be assembly and packaging industry in Morocco for goods exported to the EU.

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MOROCCO - Opportunities

- Export Opportunities are: Consumer goods - Lubricants - Chemicals - Crude petroleum.
- Raw materials, especially cotton and sawn wood - Wheat, including durum - Feed grains, especially corn - Vegetable oil - Oilseeds - Protein meals, including soybean meal - Purebred dairy cattle - Milk powder - Unsalted butter - Canned fruit and vegetables - Nuts - Dried fruit, especially prunes and raisins – Confectionery.
- Industrial machinery and equipment - Telecommunications equipment - Electrical power systems - Environmental equipment and services - Water resources equipment - Engineering services - Franchising.
- U.S. advances in technology gives American companies a competitive edge in the telecommunications, computer sectors, health, mining and construction.
- Franchising is still nascent and growing in popularity.

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MOROCCO - Marketing Tips

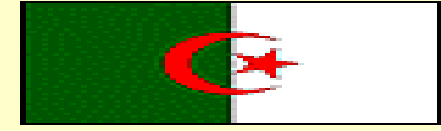
- **Newspaper and magazine advertising is commonly used with excellent presentations.**
- **French is one of the first Language and most used for business**
- **French-language papers have the largest readership.**
- **Radio advertising to be considered as the direct marketing tool for consumer goods advertising.**
- **Street bilboards are the most used in large cities for consumer goods.**
- **Consumer product companies often use sound vans to advertise in cities and remote areas alike.**

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ALGERIA



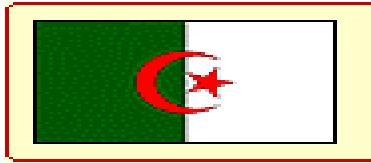
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- Population: 32.8m (2003)
- Nominal GDP: US\$61.6bn - US\$162.1bn (at PPP)
- GDP per head: US\$1,880 - US\$4,940 (at PPP)
- Currency: Algerian Dinar
- Public holidays:
 - All Muslim holidays are observed in accordance with the lunar calendar: Martyr's Day; Eid al-Adha; Ramadan; Eid al-Fitr; January 1st (New Year), May 1st (Labour Day), June 19th (Righting Day), July 5th (Independence Day), November 1st (Anniversary of the Revolution).

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ALGERIA

Local Representation

- The appointment of agents or representatives in Algeria is no longer prohibited.
- Many individuals or partnerships are seeking to represent U.S. companies, although many have little practice in this field.
- International trade is much liberalized.
- State monopolies for imports have been dismantled and private operators are increasingly involved in import/export transactions.

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ALGERIA

Standards and Technical Regulations

- There are over 2500 Algerian standards, most of them equivalent to ISO standards with the exception of electrical equipment, which are equivalent to CEI standards.
- A small number of standards are compulsory but the majority is only recommended. Contract standards are acceptable as long as they do not conflict with any that are compulsory.
- The Algerian standards organization is: INAPI - Institut Algérien de Normalisation et Propriété Industrielle, 5 & 7 Rue Abou Hamou Moussa, Boite Postale 1021, Alger
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ALGERIA

1- Labeling and Packaging Regulations

- The label should be securely fixed to the packaging and surround it.
- It should be in Arabic and French and to be in legible characters that are readily visible in the normal conditions of presentation and sale with the following:
 - 1) Sales name, distinct from the brand or fancy name;
 - 2) Name or company name and address of the manufacturer and the Algerian natural person or legal entity who is responsible for importing, packing or marketing the product;
 - 3) Net contents expressed in metric units;
 - 4) Mode of use, and any precautions if required.

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ALGERIA

2- Labeling and Packaging Regulations

- With hazardous products: the label shall also mention the symbol or symbols that represent the toxicity, inflammability, corrosivity, irritation risks, etc.
- The above information may be printed direct onto the packaging if the visibility and legibility requirements are met and the information is indelible.
- The packaging that is used for hazardous products should be different from that used for food products.
- Where volumes and weights are less than five liters or five kilograms, any material may be used apart from glass or plastic where these are transparent or translucent and in the form of bottles, jars or pots.

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ALGERIA

Patents and Trademarks

- Manufacturers and traders are strongly advised to patent their inventions and register their trademarks in Algeria, and to do so through a patent or trademark agent.
- Algeria subscribes to the International Convention for the Protection of Industrial Property.
- The inventor or his assignee may apply for a patent and unless there is a reciprocal agreement, foreigners living abroad must appoint an Algerian agent resident in Algeria.
- Before the filing, date or earlier priority date of application the invention must not have been available to the public in Algeria or elsewhere
- Patents are granted for a period of 20 years subject to annual renewal fees.

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ALGERIA

Patents

- Compulsory licenses may be granted if, without good cause, the patent has not been adequately worked within four years from the application or three years from the grant of patent.
- Patents of confirmation are also granted for patents granted in a foreign country before 1 January 1966, where the invention and its benefits to the national economy justify it. Such patents are granted for a term of 10 years subject to annual renewal fees.

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ALGERIA

Trademarks

- The first applicant is entitled to register a trademark, but if the trademark is not used during the year following registration, without good cause, the registration ceases to be effective.
- An authorized delegate domiciled in Algeria abroad must represent applicants resident in Algeria.
- Registration is for a period of 10 years and may be renewed.

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ALGERIA

1- Exchange Controls

- Any amount of foreign currency may be taken into the country on arrival at the Algerian port of entry.
- Visitors must obtain and complete a certificate, which should be immediately endorsed by customs showing how much currency is being bought into the country.
- This document must be produced and duly endorsed whenever foreign currency is exchanged for Algerian currency for use in the country.

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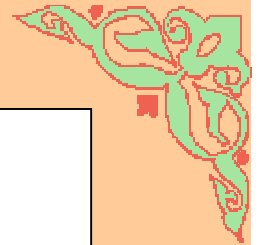
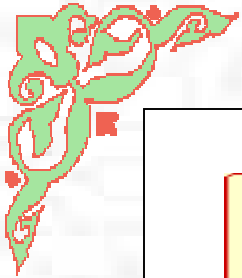
ALGERIA

2- Exchange Controls

- Visitors must obtain and complete a certificate, which should be immediately endorsed by customs showing how much currency is being bought into the country.
- This document must be produced and duly endorsed whenever foreign currency is exchanged for Algerian currency for use in the country.
- On departure, this document must be surrendered to customs.
- It is difficult to reconvert Dinar into hard currency. Customs authorities require that visitors change foreign currency on first arrival up to the sum of DA1000.
- Oct 5, 2004 Rates for 1 US\$ = DA 77.989

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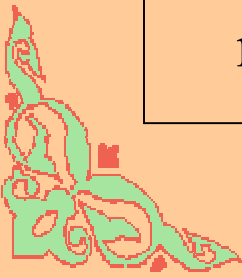
ALGERIA

Import Controls

- Some 41 categories of imported goods are at present prohibited, in some cases because they are luxuries, in other cases to protect local industry.
- In case of protection of local product an Algerian company may be able to obtain a license to import the goods if it can be shown that they cannot be supplied locally. There are no other quantitative restrictions on imports.
- In all cases the importer must open a domiciliation.
- File with one of the banks. This includes a pro-forma invoice and/or a contract when available and all payments must arrange via the bank.

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ALGERIA

Import Formalities

- **The larger the order, the more likely it is that state-allocated foreign exchange will be required to fund it and the importer will have to make a case to the ministerial committee, or to the bank, based on the importance of the import to the nation.**
 - a) **The same will be for imports over US\$100,000, they must receive authorization of an ad-hoc interministerial committee. Credit terms of over 18 months are normally required.**
 - b) **Imports under US\$100,000 can be paid for, on a cash basis, by the banks out of their monthly foreign exchange allowance. The amount of such imports are restricted to certain types of goods (eg spare parts and additional raw material) and they are subject to the availability of limited foreign exchange at the banks.**

Both the above only apply when state foreign exchange is required.
 - c) **Importations sans payment. These are imports paid for out of the importer's own foreign currency through their account devise (Foreign currency account). No limitation exists on the value of such imported goods.**

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ALGERIA

Documentation

- **The Customs authorities in Algeria request the form EX-1 from all exporters to Algeria.**
- **In the event that this form is unobtainable in the country of origin, an attestation can be obtained from the nearest Algerian consulate/embassy.**
- **This document certifies that the goods in question are being exported from that country towards Algeria. The attestation, in fact, will be in lieu of the EX-1 export document.**

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TUNISIA



- Tunisia is a predominantly Arab Muslim country and lies on the north coast of Africa, occupying an area approximately the size of England and Wales, slightly smaller than Missouri.
- Ethnic groups and Religions : Arab-Berber 98% Muslim, Jewish less than 1%, European 1% Christian.
- Population (2003): 9.9 million, a young population with over 55% under 25, growing at 1-2% each year.
- Wealth distribution is quite even, providing a relatively large middle-class (estimated at 65% of the population) with sizeable purchasing power.
- Languages: Arabic (official), French.
- Annual growth rate (2003): 1.14%.

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TUNISIA -1- Advertising

- **Direct mail is an ineffective way of marketing.**
- **If direct mail must be used, it should be in Arabic or French and followed up with a telephone call.**
- **Since personal contact is vital in conducting business in Tunisia, deals should be made through a local agent or a North African Arabic speaking person.**
- **Posters are widely used. They must be approved by the authorities.**
- **Advertising by illuminated signs, competitions and sponsored sporting events is widely used.**
- **Newspapers and periodicals**
The 1959 constitution guarantees freedom of expression, although the Press Code gives the government wide-ranging powers.
- ***Tunis Afrique Press (TAP)* is the official news agency and publishes in Arabic, French and English.**
- **Tunisian newspapers generally accept paid advertising.**

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TUNISIA -2- Advertising

- Standards are more focused on social and political content than on commercial issues.
- Radio and television: There are two television channels and four radio stations, all operated by the state-run *Radiodifusion Télévision Tunisienne*.
- Television: Channel TV7 television broadcasts in Arabic. Some programs are imported from Egypt. Channel 21 broadcasts youth programs in Arabic. A broadcast one hour English program.
- Both channels carry advertising, which should be in the appropriate language. Rai Uno (Italy) can be obtained locally, as can several other channels.
- There are strict standards, and rates tend to be higher for advertising foreign-origin goods than for Tunisian-origin goods.
- Radio: The national radio station broadcasts in Arabic, while the international station broadcasts mainly in French, with some programs in Italian, English, German and Spanish.

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TUNISIA - Sales Promotion

- **Initial correspondence and product literature should be translated into French by a professional and followed up (in French) by a telephone call.**
- **The establishment of personal relationships is important in business and in commerce, and the usefulness of "cold" direct marketing is therefore limited.**
- **Customers are more likely to purchase higher technology goods, new products on the market and brand names if there is a local agent who can provide after-sales service. Tunisians, particularly those in major cities, are also increasingly likely to purchase brand names or goods that have a European or American image, although cost remains the most important factor for most consumers.**

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TUNISIA -1- Local Agents/Distributors

- **Local agents/distributors are crucial to introducing products into Tunisia. Both commission agents and distributors may represent foreign businesses in Tunisia.**
- **The agent will act to locate business and provide access to potential markets. A distributor, on the other hand, purchases goods from a foreign supplier and then acts independently of that supplier to sell those goods. Any profits or losses that distributors encounter are solely their responsibility. The agency-principal relationship is governed by article 625 and 626 of the Commercial Code of Tunisia.**
- **The parties are bound by the terms of their own contract, as no special legislation exists to regulate the termination of an agency agreement. The parties may negotiate and draft their own binding contract, which includes terms for termination of the relationship.**

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TUNISIA -2- Local Agents/Distributors

- **Law forbids exclusive distribution contracts in Tunisia. There are several joint ventures in Tunisia and licensing agreements are working well. Tunisian law does not refer to franchise.**
- **Depending upon the type of commercial activity under consideration, firms may need to complete a wide range of regulatory, licensing, and logistical procedures before bringing their products or services to the market. Simplified registration procedure is available at the one-stop-shop of the Industry Promotion Agency (API).**
- **Distribution channels of products and services vary according to the technical nature of the producer and the potential buyer.**

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TUNISIA – Product Qualifications

- **Monopolized products:** these kinds of products such as pharmaceuticals or basic food products are generally bought through international tenders by the relevant administration.
- **Raw materials and semi-finished products:** They can be sold directly to the client, generally big industries, and do not require a local agent.
- **Industrial equipment:** they are bought through consultation (private sector) or public tendering (public sector) and can be sold and installed directly.
- **A local agent can help follow invitations to tender, make contacts with key public officials and advise on local technical partners if necessary.**
- **Small equipment and consumption goods:** an importer/distributor is recommended for the clearance requirements, storage, and the distribution of the goods to retailers or wholesalers and after-sale services if required.
- **Products such as raw material for textile industry, chemicals, automotive parts, health care products are distributed and directly imported by retailers.**
- **Second-hand material:** There are not free for import and need an import license and have to be valued by an expert.

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TUNISIA – Terms of Payment

- **Advance cash payments are never used as these contravene exchange regulations. Imports cannot be paid for until documentation has been presented to the issuing bank to certify that the merchandise is in the custody of Tunisian customs. It is usual to use letter of credit (L/cs) or commercial drafts with 90 days of credit term. L/Cs are usually expensive to administer and banks may require a deposit covering the total value of the L/C in local currency at the time of opening.**
- **For these reasons, once a company is satisfied with the financial standing of its customer, it might like to consider alternative methods of payment, such as payment against document (PAD).**
- **The Dinar is convertible for foreign business transactions. No authorization is needed from the Banque Centrale for current account transactions or for the repatriation of capital or profits for foreign investors.**
- **For other transactions, the Government has progressively been relaxing currency controls in preparation for the eventual total convertibility of the Dinar.**

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Generic Observations on Business Culture in North Saharan Africa



Society is gradually moving away from male-dominated structure and more women are entering the work force.

- Handshaking is the customary form of greeting but some people may brush cheeks or kiss.
- Greetings usually include inquiries about one's health and family.
- Many of the manners and social customs emulate French manners.

French is the language of business, but the use of English is increasing. Spanish is also spoken.

- Product information should be in French.
- Business people should be dressed professionally and conservatively, but a suit is not necessary in very hot weather. Dress like locals to get better acceptance.
- Meetings tend to be slow-paced, beginning with long amenities and gradually approaching the purpose.

Negotiations often involve a lot of bargaining, and a visitor should expect to deal with many people.

- Most businesses close for a two and a half-hour during midday.

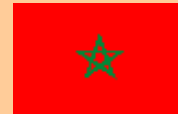
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Acting in North Saharan Africa

• **Do's:**

- Be patient but firm.
- Do be sensitive to religious holidays.
- Appointments should be made in advance.



• **Don'ts:**

- Be careful not to give a sense of urgency.
- Do not discuss Christianity or try to engage Moroccans in a debate about it.
- Avoid offering alcohol to Muslims during Ramadan.
- Do not try to enter a religious building in you are not Muslim.

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**THANK YOU
FOR YOUR ATTENTION**

Email us your Questions

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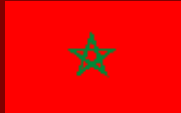
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