'Made in Italy' in Egypt and Tunisia

by Carmela di Terlizzi and Luca Agolini

North Africa and the Middle East are undergoing a period of immense political, cultural and economic transformation. Tunisia and Egypt have been the most affected by the region-wide metamorphosis, each nation profoundly affected by the dubious economic and social conditions in which the most of the population lives.

There's a strong possibility that widespread political and social upheaval, and with it structural transition, will spread to other regional states region.

Since the region played an important role in restarting the global economy in the aftermath of 2008 crisis (and would appear poised to continue in that role,) examining its future prospects carefully, particularly in terms of Italy, among its leading export partners, would seem prudent.

In euro terms, the Middle East and North Africa ab-

Italian businesses are keeping a watchful eye on political and social transformations Egypt and Tunisia. They have every right to do so. In recent years, the two North African markets have been generous to Italian exports, with Tunisia leading the way. While China has made significant inroads in Egypt, Tunisia has remained a fertile preserve for Italian exports. As a result, businesses with major investments in Tunisia are hoping for a return to stability.


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Egypt's downtrodden still facing soaring food prices.

sorb about eight percent of the total value of the Italian export of manufactured goods. From 2006 to 2008 growth rates in its states was 18 percent higher than the annual average, while their total imports grew by just over 12 percent.

The aggregate shows the extent of the dynamic environment in terms of Italian exports. A spread of the kinds of events that have touched Tunisia and Egypt could produce a slowdown of one of the major post-crisis recovery engines.

Examining Egypt and Tunisia in greater detail shows the extent to which Italy has played a major role, able to sustain the needs of both. In just three years, Italy's has upped its export quota in euro terms by three percent in Egypt and 1.5 percent Tunisia, measures at 24 percent and 11.6 percent of those countries' exports in 2008 (well above Italy's world average, about four percent). Italy remains Egypt's second-largest export partner, ranking just behind the United States.

The year 2009 brought post-crisis complications. In Tunisia, real growth, which averaged five percent for much of the 2000s, declined to 4.4 percent in 2008 and 0.7 percent in 2009. Egypt weathered the recessionary storm in somewhat stronger fashion, thanks to the diversity of its economy, which includes oil and natural gas (thought the country has the highest inflation rate in the Arab world).

The fate of Italian companies in the region, seen comprehensively, was considerably less cheering. Exports and production dropped off on the Italian side, possibly a reflection the newness of the trade relationships.


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Over the course of 2009, Italian exporters dropped a percentage point in Tunisia and half-a-point in Egypt. Estimates for 2010, suggest a mild comeback. More importantly perhaps, they evidence possible ways in which Italian businesses can extend their reach, particularly in sectors where they already possess a good chunk of the market.

The field of electrical mechanics is a good case in point. Italian companies have a share of more than 20 percent in Egypt and more than 25 percent in Tunisia. For Italian firms, Egypt represents six percent of total exports, while Tunisia accounts for three percent. Though hindered by traditional rivals Germany and France in Tunisia, and the United States and China in Egypt, export rates suggest these nations (setting aside 2009 figures) are increasingly interested in acquiring Italian products.

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ABOVE

A Moroccan Islamist woman holds a banner during Rabat rally against a protest called against the monarchy in February. Morocco has remained generally quiet amid North African strife.

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Workers at a rebel-held oil facility in Al Brega, Libya. Loyalist forces and rebels have been contesting the nation's strategic towns and cities.

Another important sector is textiles and clothing. Italian manufacturers export 10 percent of their material to Egypt and well over 40 percent to Tunisia. While China's entry into Egyptian market has diminished the Italian share in the textile and apparel sector, the Italian share has continued to grow in Tunisia, where its major competitor is a traditional one, namely France. The substantial presence of French exports in Tunisia is explainable in terms of history. Tunisia was a French protectorate and colonial bastion for decades, obtaining independence in 1956.

The situation in Egypt, which has no such heritage, has worked to the advantage of China. Chinese businesses, in addition to making their presence felt in textiles and apparel, have also moved into the furniture market. This shift in priorities has contributed heavily to a drop in the Italian export over the last decade.

Not so in Tunisia, where Italy's presence in the furniture market tops 40 percent. Italy's consistent strong presence in Tunisia can be explained based on the number of local factories opened by Italian businesses, eager to reap the benefits the country offers (proximity to key markets and lower labor costs).

This latter fact is essential not only to a correct understanding of regional data, but also in understand the challenged posed by the crisis. While in Egypt, Italian entrepreneurs must cope with market volatility and the Chinese present, they are more directly act risk in Tunisia, where many have opened factories and laid down roots.

But since those roots remain fresh, a deepening of the crisis in Tunisia could lead to the flight of Italian businesses, for no other reason than the extent of investment and the risk posed by standing pat.