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CONTENTS

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New Libya, New Neighbourhood: What Opportunities for Tunisia?

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I Introduction

The Libyan conflict, that raged for close to ten months and led to the fall of Gaddafi, particularly hurt the Tunisian economy, especially in the first half of 2011. In a review of the period concerned, the African Development Bank (AfDB) (Santi, Ben Romdhane and Ben Aissa, 2011) estimated that despite a few positive externalities, the Libyan crisis negatively affected the Tunisian economy which was still reeling from the socio-economic impact of its 14 January 2011 Revolution.

The negative effects of the Libyan crisis generally reflect the close economic ties between the two countries (Libya is Tunisia's second economic partner after the EU); and were estimated to have caused a 0.4% decline in Tunisia's economic growth. The main fallouts from the Libyan crisis were a decline in Tunisian exports to Libya (except in the agri-food industries) and a sharp fall in remittances due to the return of over 60,000[2] Tunisian migrant workers from Libya. This was compounded by the cost of the compensation programme for these returning workers, estimated at TND 70 -

[1] This paper was prepared by Emanuele Santi, Principal Country Economist, Regional Department North 1, Saoussen Ben Romdhane, consultant working for the Regional Department North 1 and Mohamed Safouane Ben Aïssa, consultant working for the Statistics Department, under the guidance of Jacob Kolster, Director of Regional Department North 1 and Charles Lufumpa, Director of the Statistics Department. The authors thank Thouraya Triki, Principal Economist (Research Department), for her comments and contributions as well as the government agencies and private sector corporations that contributed to the preparation of this study. The analysis and findings of this report reflects the opinions of the authors and not those of the African Development Bank Group, its Board of Directors or the countries they represent.

[2] According to data from the Tunisian Labour Office (OTE) and the International Organisation for Migration (IOM).

125 million. The return of Tunisian workers from Libya sharply increased the unemployment rate in Tunisia which rose from 13% in May 2010 to 18.3% in May 2011 (INS, 2011). The suspension of Libyan investments following the freeze on Libyan assets and the decline in tourism revenues also contributed to the downturn of Tunisia's economy. This negative fallout was compounded by the cost of the emergency programme set up by the Tunisian government for refugees fleeing the fighting in Libya.

However, the consequences of the Libyan crisis on the Tunisian economy were not entirely harmful. The 700,000 to 900,000 Libyan nationals who sought refuge in Tunisia boosted domestic demand and generated a trade momentum along the border that partly offset the negative effects of the crisis. Similarly, Libyan demand for foodstuff and basic necessities stimulated Tunisian export, with agri-food enterprises benefitting most from the Libyan crisis. Geographic proxity facilitated the transportation of these products through various land routes across the border. As far as trade and tourism are concerned, demand for hotel accomodation by Libyan nationals partly offset a lethargic tourism season that had recorded 45% decline following the Tunisian Revolution.

The end of the conflict has generated prospects for the construction of a new Libya that offers major employment opportunities for Tunisian workers and possible bilateral and trilateral cooperation in various domains. Representatives of Libya's transitional government have, on several occasions, reiterated that Tunisia will play a central role in Libya's reconstruction (TAP, 2011). Cognizant of these looming strategic challenges and opportunities, the first Tunisian transitional Government had set up a high-level taskforce, chaired by the Minister of Employment, to study and reflect on the needs of the country. This taskforce gained insight of the momentum from the Libyan reconstruction process, especially in terms of human resources. The visit of the Tunisian Prime Minister to Tripoli on 10 October 2011 consolidated cooperation ties. The Tunisian and Libyan leaders both agreed to work towards ensuring that citizens of both countries enjoy the right to freedom of movement, residence, employment and private ownership of property on an equal basis (TAP, 2011). Finally, the recent visit in January 2012 by the Tunisian President, Moncef Marzouki, accompanied by a sizeable delegation, further contributed to strengthening ties between the two countries.

The private sector also spared no effort in this domain. Tunisian businesspeople in Libya who had closed down their factories when the upheaval started are getting ready to resume their activities. Others have begun prospecting and plan to visit Tripoli in search of partners and potentially interesting opportunities. To support these efforts, the Tunisian Export Promotion Centre (CEPEX) opened a second office in Benghazi in April 2011 and the Tunisian Industry, Trade and Handicraft Union (UTICA), Tunisia's main employers's association, plans to open a country office in Tripoli. The office, in partnership with the Tunisian-Libyan Economic Chamber, will help Tunisian investors to gain a foothold in the Libyan market and explore the best investment opportunities for both countries.

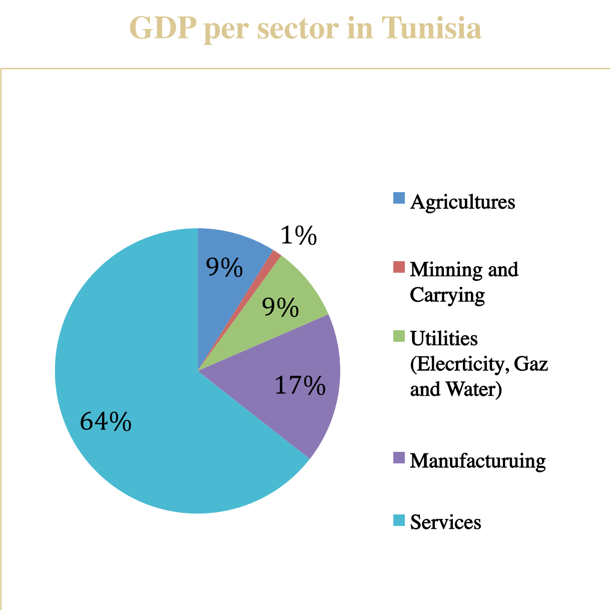
The main objective of this Paper is to identify opportunities and the role that Tunisia can play in the reconstruction of Libya, despite the numerous challenges posed by the country's prevailing instability and uncertain security conditions. Section two will focus on socio-economic ties between the two countries that is expected to generate even greater bilateral cooperation prospects. Sector analysis and identification of niches or areas of interest for mutual cooperation between the two countries are covered in the third section. Lastly, the paper concludes with a number of recommendations on the procedures, tools and measures that should be adopted to initiate a cooperation and partnership process between the two countries.

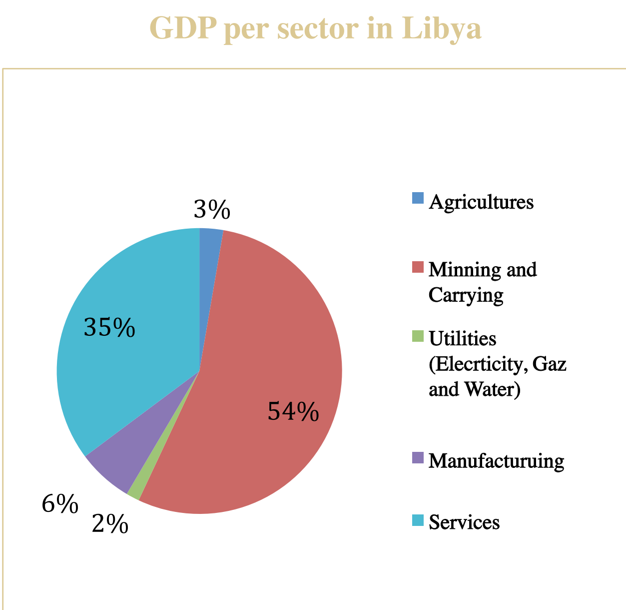
II Socio-economic Context and Rationale

Libya and Tunisia are neighbouring countries separated by a 459-km border. The two countries have historically enjoyed friendly relations founded on their common religion and language. Such geographic and cultural proximity as well as mutual ties consolidated by the support and hospitality of the Tunisian people, who welcomed over 70,000 Libyan families during the crisis, at a time when other countries in the region closed their borders, gives Tunisia a competitive advantage to serve as Libya's privileged partner. Other factors equally play in Tunisia's favour such as: (i) the support provided by Tunisia's transitional government, mainly in terms of health services and supplies, during the crisis and its emergency assistance along its border with Libya; and (ii) Tunisians' familiarity with Libya's economy and its already existing close economic ties. Furthermore, Tunisians could use their proficiency in French as an asset to play a role in triangular partnerships between Libya, Tunisia and Francophone countries.

From an economic standpoint, Tunisia and Libya constitute "a complementary zone" that spans investment, trade and partnership opportunities in various sectors. Tunisia and Libya enjoy resource complementarity: Tunisia has an abundant and diversified workforce that has competence and expertise in specific domains, while Libya has a huge natural resource endowment, especially oil. This situation increases the benefits of greater cooperation between the two countries. The reconstruction could create new opportunities for both Libyan and Tunisian job seekers.

Graph 1 GDP per sector in Tunisia and Libya





Source: African Economic Outlook. 2011.

III Opportunities and Cooperation Areas

3.1 Trade

Trade between Tunisia and Libya has intensified over the last decade. Indeed, close to 1,200 Tunisia-based businesses produce exclusively or partially for the Libyan market, considering it to be a natural extension of the Tunisian market. Tunisian exports to Libya reached TND 756 million at the end of the third quarter of 2011, exceeding the levels attained during the same period in 2010, and representing 1.18% growth rate (TND 8.86 million). Hence, Libya is the primary destination for Tunisian products and accounts for approximately 40% of total exports[3].

Table 1 Tunisian Exports to Libya in Tunisian Dinar (TND) Million, Breakdown by Sector (9 months, 2010-2011)

Sectors	2010	2011
Agriculture and Agri-food industries	186.34	554.47
Leathercraft & Shoes	53.06	95.33
Energy & Lubricants	16.59	4.13
Mechanical & Electrical Industries	187.13	67.78
Miscellanous Industries*	346.62	125.19
Textiles and Clothing	10.10	3.65
Total Exports to Libya	747.33	756.19

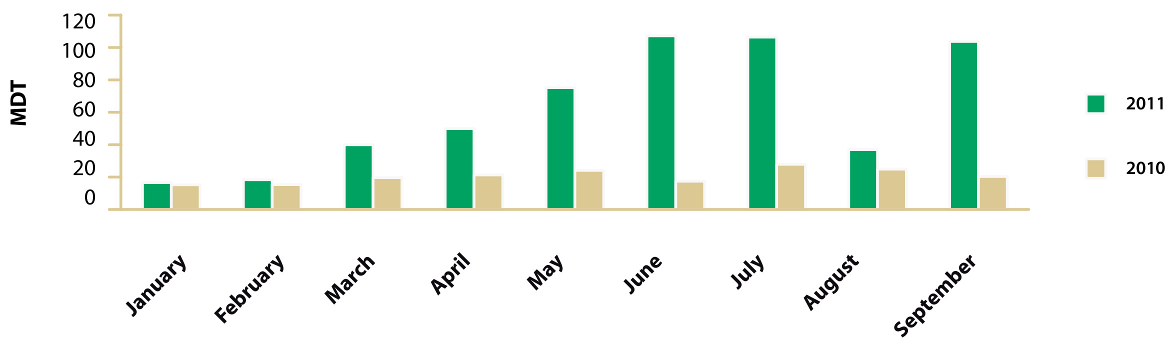
Source: Compiled by CEPEX/ Source: d.o.m.i
* including mining products and phosphates.

Apart from increasing exports, the Libyan conflict also radically altered Tunisian export volumes entering Libya. These exports used to be fairly diversified and essentially comprised agri-food products (25%), iron and steel (9%), cement (8%) and electrical appliances (6%)[4]. After the crisis, all sectors experienced a significant decline, apart from the agricultural/agri-food, leathercraft and shoe sectors (Table 1).

In 2011, agri-food exports recorded the fastest growth, spiralling from TND 74.94 million in the first quarter to TND 554.47 million at the end of the third quarter. Consequently, at the end of the third quarter, they formed the bulk of total exports at 73% compared to 25% during the same period in 2010. The growth is attributable to both higher volumes generated by an increased demand of such products during the Libyan conflict and to further higher prices following the sudden hike in international food prices[5].

Leathercraft and shoe sector exports almost doubled compared to the previous year. The increase in Tunisian agri-food, leather and shoe sector exports to Libya offset the sharp decline in industrial, mining products and phosphate exports to the Libyan

Graph 2 Agricultural and Agri-Food Exports to Libya, in TND million (9 months from 2010-2011)



Source: Compiled by CEPEX/ Source: d.o.m.i

[3] Total Tunisian exports reached TND 1877.7 million in September 2011.
[4] National Institute of Statistics, 2011.
[5] The FAO food price index reached its highest level since its creation in 1990. In January 2011, it exceeded (231 points) the record level attained at the height of the last food crisis of June 2008 (213.5 points).

and other markets[6]. The latter can also by explained by the disruptions of production, caused by the social unrest experienced in Tunisia, especially in the mining areas.

The rapid growth in Tunisian exports to Libya must be interpreted with caution and any analysis should take into account the prevailing economic situation in both countries. In fact, during the period in review, Libya was under an air embargo. The geographic proximity between Tunis and Tripoli coupled with the Tunisian export facilitation and security measures[7] ensured that convoys loaded with agri-food products and domestic consumer goods left Tunis early in the morning to reach the Libyan capital in the evening of the same day. Informal trade and clandestine agri-food export networks flourished, often taking advantage of subsidies offered by the Tunisian Compensation Fund. This situation pushed up the prices of these products, making them scarce on the local market. In a bid to resolve this problem, the Government increased its agricultural and agri-food imports to almost 31% in order to meet Tunisian and Libyan demand. Although the above-mentioned growth in food product imports stems from a circumstantial development, Tunisian producers actually benefit from Libyan consumers' familiarization with their products.

Prior to the outbreak of the crisis, the building materials sector was deemed a promising sector for Tunisian exporters. Building materials have always ranked second among Tunisian exports to Libya, after agricultural and agri-food products. They represented 20% of all exports in 2009, including iron and steel. Before the revolution, Libya was already experiencing a housing shortage and the war destroyed much of the basic infrastructure and buildings in several cities. Hence, the need for reconstruction is dire and a rise in building material exports (cement and other products)[8] is expected.

Other opportunities also exist in the textile sector. Tunisia has a comparative advantage in this growth sector since it is a major supplier of textile and clothing products to the EU, especially as demand keeps growing and Libyans are reticent vis-à-vis Chinese firms that enjoyed a strong presence in the past, perceiving them as allies of the fallen regime. Some business magnates of the Tunisian textile sector believe that Libya has opportunities that are twice more profitable than their sub-contracting arrangements with the EU market[9].

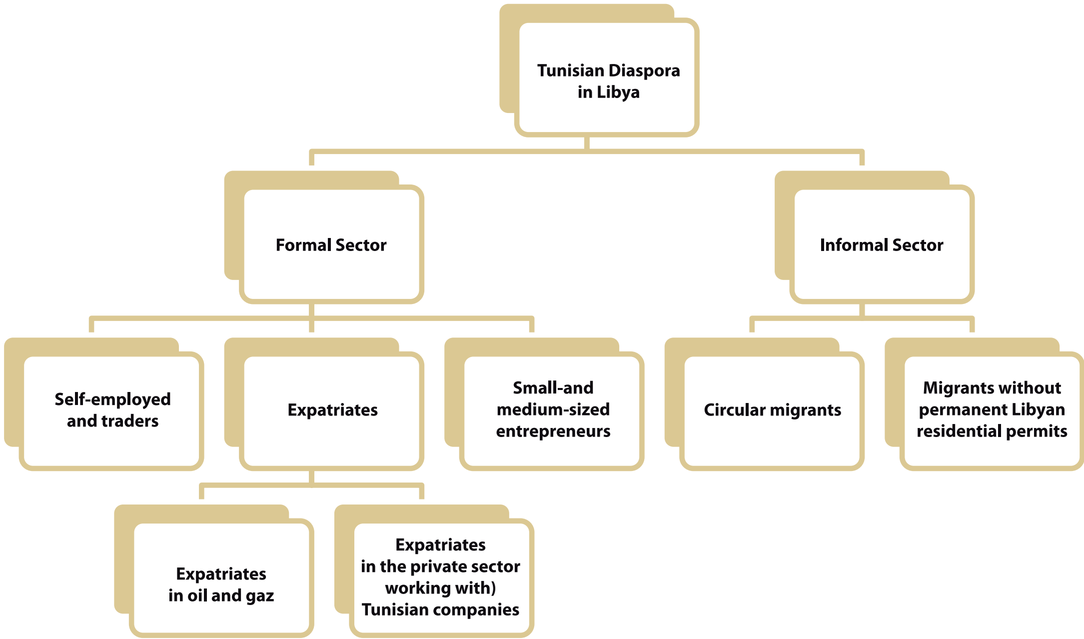
3.2 Employment

The Libyan labour market could absorb 200,000 to 500,000 Tunisian workers within the next two years[10], far exceeding the 95,000 Tunisian workers officially resident in Libya in 2010. Furthermore, Tunisian labour could potentially replace workers of other nationalities present in large numbers before the war and who currently have difficulties returning to Libya due to the imposition of visa restrictions[11]. Similarly, there could be a surge in the number of Tunisian workers, especially specialised and skilled labour (the majority of immigrant workers in Libya were unskilled). Lastly, the free circulation of labour would curb illegal immigration and underground labour by Tunisians in Libya.

Tunisian migration in Libya was characterised by the strong presence of the informal sector. Since they share a common border, the two countries benefit from circular migration. Tunisians resident in the South generally engaged in regular trade activities. Within the same informal category a significant number of illegal immigrants used to work regularly or occasionally in Libya. Having no work and resident permit, they had to return to Tunisia before the expiry of a continuous three-month stay on Libyan territory. Expatriates working in the oil sector were the most numerous category in the formal sector. Although they did not exceed 1% of Libya's total immigrant population, their remittances accounted for 35% of all remittances from Libya to Tunisia, sent directly or indirectly through European banks. Other sectors of activity with a recent expatriate category were the banking sector (several UBCI executives had been expatriates in the BNP-

6 According to INS data, phosphate and phosphate by-product exports declined by 34.8% in the first three quarters of 2011.
7 The Tunisian Export Promotion Centre (CEPEX) and the National Guard watched over the convoys that crossed the Tunisian-Libyan border, the scene of fighting between the rebels and Gaddafi loyalists.
8 The demand for cement in Libya could reach 800 thousand tonnes per month.
9 Jeune Afrique, 2011. "Libye-Tunisie: la reconstruction, une affaire de voisins", 22 September.
10 From an interview with the Former Tunisia Minister of Employment, Mr Said El Aydi.
11 Tunisians and Turkishs are henceforth exempt from entry visa restrictions that apply to Algerians, Moroccans, Egyptians, Syrians, Sudanese, Chadians and nationals of Niger (African Manager, 2011).

Graph 3 **Tunisian Migrants in Libya**



Source: Compiled by the authors.

Paribas subsidiary and several bank executives have joined the Libyan Foreign Bank), the agri-food sector (with the Poulina group) and the construction sector. The latter was the main sector employing both skilled (engineers, architects and senior technicians) and unskilled labour. The presence of small- and medium-sized Tunisian businesses in Libya remains fairly limited. This stems from the rigidity of the laws, including the requirement of a minimum Libyan stake of 35% in the shareholding structure. Prior to the conflict, little local expertise was recorded in forming effective joint ventures. The limited size of these businesses did not allow them to take on the role of so called "sleeping partners".

3.3 Services

Construction, Utilities and City Planning

This sector has very good potential for Tunisia, which should benefit from its past experience in Libya's construction and utilities sectors. Several projects have been implemented and/or supervised by Tunisian consultancies, civil engineering and architectural firms. Before the conflict, Libya was already embarking on important construction programmes. The country's construction needs have become even greater after the war. At the public level, Tunisia could offer its skills and experience in the repair and modernisation of utilities (electricity, water, etc.). As far as the private sector is concerned, Tunisian businesses have already operated in the Libyan market in partnership with local businesses or those involved in sub-contracting operations with foreign partners (the best example is sub-contracting with Brazil for works on Tripoli airport). Tunisian public works companies[12] have confirmed that their contracts have been maintained and hope to further develop their activities in Libya. The same applies to consultancy firms (SCET Tunisie, STUDY and ETRAPH) that work mainly on the Libyan market.

Health Services

Since 2003, over 70% of Libyans have visited Tunisia for health services. During the conflict, Tunisian clinics, already used to treating Libyan patients, received a large number

[12] For example, Société Bouzguenda Frères that works mainly in Tripoli Airport.

of persons wounded during the conflict. The Libyan government defrayed the hospitalisation costs for such patients and, with the support of the WHO (World Health Organisation) and other international organizations, reinforced hospital services in Southern Tunisia along regions closest to the border. During the Revolution, several delegations, composed of physicians and paramedics, were organised to provide crossborder emergency care. Health sector modernisation and reform have also been planned in Libya. Major opportunities are available in this area for both staff and clinics interested in setting up on Libyan territory to be closer to patients who needed their health services.

Information and Communication Technologies (ICTs)

The information and communication technology (ICT) sector is well developed in Tunisia, making it a leading African country in this area[13]. Several ICT sector multinationals have branches in Tunisia and engage in off-shore activities for European countries. Similarly, many projects have been implemented in Africa by Tunisian enterprises. A case in point is BFI, an IT compay which computerised all BNP Paribas subsidiaries and conducted clearing operations for the Central Bank of West African States[14].

This sector could have a dual advantage of generating increased investments and employment. Tunisia could help to rebuild facilities destroyed by the war in Libya and establish new, more modern and competitive networks by mobilising national skills and expertise to provide technical assistance. At the time of writing, Telecommunications companies already present in Tunisia, such as "Orange Télécom", were holding talks about setting up operations in Libya[15]. Such services could require Tunisian experts who already have experience in the IT sector.

Education

Libya's higher education sector is poorly developed, focused essentially on basic higher education (first cycle of two to four years) with a marginally diversified curricula, missing several subjects. Consequently, many Libyans travel abroad to pursue higher education. According to statistics from the Libyan Ministry of Higher Education, there are over 4,000 students in Great Britain, over 3,000 in Egypt, 1,800 in the United States and 1,000 in Malaysia. Tunisia is not a favorite destination for Libyan students. Prior to the conflict only 150 Libyan students were on record attending Tunisian state schools (under a bilateral agreement) and especially private universities. This lack of interest was essentially attributed to the language of instruction, which is usually French. Hence, Tunisia cannot in any way compete with Great Britain and the United States as a destination for Libyan students, given the excellent higher education systems in those countries. Nevertheless, Libyan students have demonstrated a marked preference for Tunisia over Egypt, especially after the deterioration of bilateral relations following Egypt's imposition of entry visa restrictions on Libyan refugees during the crisis. This preference stems from Tunisian efforts to design courses taught in Arabic. Furthermore, the pool of teachers who can be deployed within the Libyan educational system is enormous, thus making it possible to support reforms and capacity-building in Libya.

3.4 Other Opportunities

Institutional Cooperation

In Libya, institutions have generally soffered from weaker capacity wich risks undermining the country's economic and social development. The Tunisian experience in setting up institutional structures could be beneficial to Libya during this transitional period. In this regard, Tunisia has, for example, helped Morocco to establish a property rights protection agency.

Investment

Libya's investment needs by 2020 will be close to EUR 150 billion. Libya's new transitional government has stated that its goal is to diversify the oil-based economy and encourage

[13] World Economic Forum Report 2008-2009.
[14] World Economic Forum Report 2008-2009.
[15] According to Maghreb Confidentiel (10 November 2011), negotiations are underway between France-Télécom-Orange and the TNC for FT-Orange to take over Green Network, the pan-African network established by Muammar Gaddafi in some African countires (Chad, Sierra Leone, Zambia, South Sudan, etc.) in which the French network is absent.

foreign direct investment[16]. Over 1,000 Tunisian companies were already present in Libya before the revolution with contracts and investments amounting to TND 3.5 billion. These companies intend to return and resume their activities and to set up new productive structures in the agri-food and building materials sectors[17].

To overcome the barriers usually encountered by Tunisian investors in Libya, especially regarding the procurement process, business creation laws, financing and bank transfer guarantees, one alternative could be to collaborate with Libyan partners to set up Tunisian-Libyan investment undertakings.

Energy

Although oil imports have been suspended, other opportunities exist in the energy sector. In particular, continuation of the pipeline installation that will transport natural gas to Ras-Jedir is a new productive cooperation opportunity between the two countries. This pipeline will not only feed natural gas to the network in southern Tunisia but also slash industrial production costs, in general, and fertilizer production costs, in particular. Similarly, installing a joint Tunisian-Libyan production plant for fertilizer and phosphoric acid could be beneficial for both countries, especially as Tunisia produces phosphate, the main ingredient used in fertilizer production.

[16] According to Pierre Lelouch, French Secretary of State for External Trade. Jeune Afrique, September 2011.
[17] Poulina, the Tunisian group which invested EUR 60 to 70 million in Libya over the last two years has approximately ten businesses in Libya. In particular, the group hopes to develop its building materials production activities.

IV Recommended Measures and Means of Intervention

The new Libya is generating major economic and social development prospects for the country and its neighbours. After elections to the constituent assembly, Tunisia is still vulnerable and weakened by the slowdown in economic activity and multiple social demands spawned by its own revolution. Nevertheless, the country's socio-economic situation should not exclude it from the opportunities offered by Libya's reconstruction. The presence of Libyan nationals on Tunisian territory greatly energised the Tunisian economy. Tunisia, whose main problems include a high unemployment rate, could flood the Libyan market with a workforce that is five times greater than the number that has returned home since the conflict began in Libya.

These advantages notwithstanding, the numerous obstacles to trade and investment that once prevailed in Libya may continue to apply, at least in the short term. Such obstacles include residence and work permits for Tunisians in Libya, business creation and transfer guarantee problems, the omnipresence of contraband goods and the development of a black market. In the following paragraphs, we will propose solutions based on targeted mechanisms that enable Tunisia to play a central role in Libya and benefit from its reconstruction.

Increase Assistance to the Banking Sector and Harmonize Payment Procedures. The banking system will play a crucial role in promoting bilateral trade and investment between both countries. Tunisian investors have had difficulties, not in signing contracts in Libya but rather in executing them, because of the application of a bank guarantee equivalent to 25% of total investments. This is both statutory and acts as a trade barrier to investment especially as Tunisian banks do not have Libyan counterparts and the payments system between the two countries is not harmonised. Therefore, there is need to harmonize institutions and procedures, especially in the area of credit. In this regard, Libyan banks based in Tunisia especially Tuniso-Libyan Bank BTL), the North Africa International Bank (NAIB) and Alubaf International Bank (ALUBAF) could play an important role. Such banks can provide the necessary financing to major Tunisian enterprises, including through the provision of lines of credit for the execution of priority projects launched by the Libyan government. Similarly, a merger of the three banks to create a private Tunisian-Libyan bank is needed to support trade and investment operations between the two neighbouring countries.

Develop an Immigration Support Strategy. Although some migrant workers have received subsidies from the Tunisian Government and intend to remain in Tunisia, others have already returned to Libya, accompanied by new job-seekers. The number of Tunisian workers may indeed exceed the 2010 figure, if an active labour migration policy is put in place. Tunisian Migrants are generally from northern Tunisia and their stay in Libya is contingent on obtaining a work permit. This is a major obstacle to mobility. This problem was less felt by those migrants from Southern Tunisia, whose activities were carried out predominantly within the border regions. To best manage these migratory flows, it is useful to analyse migration trends by identifying Libyan labour market needs, establishing support procedures and measures for Tunisian workers based on analysis of the efficiency of existing mechanisms and developing new mechanisms based on a strategy that involves the private sector, while emulating the success models of other countries (IOM, 2005).

Interconnect and Increase the Density of Transport Networks. Transport lines between the two countries play a major role in boosting trade flows and mobility between Tunisia and Libya. In an attempt to promote air transport, both countries signed a cooperation agreement in April 2008 to open up their air space by lifting flight restrictions on both sides. Despite the existence of several airlines such as "Buraq Air" and "Afriqiyah" on the Libyan side, and Tunisair and the Syphax Airlines on the Tunisian side, these airlines have not opted to pool interests to develop a common strategy. It is important for Tunisia-Libya to serve as a dual hub for flights to Europe and Africa. With regards to land transport, it is recommended that the missing segment of the Ras-Jedir Maghreb highway be financed right up to the Libyan road network. This will reduce supply time for Tunisian convoys and consequently cut transaction costs. For maritime transport, it is important to establish lines from the Rades Port such as the one linking Sfax with Tripoli.

Promote Triangular Cooperation. Tunisia has to position itself as the central transit conduit for foreign direct investment entering the Libyan market. Triangular cooperation

[18] The creation of a new private airline, Syphax Airlines, was recently announced by its proprietor, the Tunisian businessman, Mohamed Frikha.

opportunities can be beneficial to Tunisia in areas where it has comparative advantage. The structures for such cooperation have to be set up with countries that have poor knowledge of Libya and its language. Such structures could take the form of sub-contracting, co-contracting or consultancy arrangements. Tunisian enterprises have been solicited by certain French groups to invest in the Libyan market. An alliance with France, a historic partner of Tunisia and currently a key player in the new Libya, could be beneficial, especially for major infrastructure projects, and consequently lead to a reduction in unemployment. The Tunisian Government must make use of its geographic proximity and mastery of the languages of both parties and also identify the means and mechanisms for promoting fruitful cooperation. It is recommended that the Tunisian Government enhance the role of these enterprises among European and Libyan decision-makers by promoting the skills and knowledge of these markets.

Reinforcing Regional Integration. The political approach to construction of the Arab Maghreb Union (AMU) has definitively failed. It appears that the countries concerned are more interested in the economic approach to regional integration. However, there is still some reticence which gives the impression that there is minimal interest in – and consequently the limited impact of – economic integration. In contrast, several studies (Arab Maghreb Union-AfDB, 2008) reveal a positive and very huge impact. Paradoxically, the AMU study shows a greater positive impact in oil-producing Maghreb countries (exceeding two GDP growth points for the most advanced integration process) compared to other countries (between 1.5 and 2 GDP growth points). This impact remains underestimated because market size was not factored into the study - a factor which could amplify prevailing significant impact.

Libya and Tunisia can start a fairly advanced integration process. Total trade liberalisation is the preliminary stage in this process. A customs union could be established between the two countries as a step towards consolidating the institution of a common market. A Tunisian-Libyan economic community could gradually emerge from the exemplary complementarity existing between the two countries.

V Conclusions

Reconstruction of the new Libya will significantly address the ills of the Tunisian economy through more intensive and sustainable bilateral cooperation in which the private sector must participate actively and play a catalytic role in tandem with the public sector. Geographic, cultural and linguistic proximity could be a major asset in this process. Similarly, the excellent political ties between these two transitional democracies can cohesively promote greater Tunisian participation in Libya's economic life. In addition to this very favourable context, the comparative advantages of these two countries are quite complementary and exemplary. Nonetheless, the Libyan market cannot solve all the problems of the Tunisian economy; hence, the participation of other actors must be taken into account.

It should be noted that the current context in both countries is fraught with uncertainties (disarmament, duration of the political transition, time-limit for a return to pre-revolution oil production levels, effective lifting of the freeze on Libyan assets, success of future events in the political calendar, etc.). Moreover, the security situation in Libya remains a major concern, namely along the borders and some Libyan cities. However, although both countries have firmly resolved to cooperate in their common interest, they have to ponder over this resolve and jointly seize these opportunities through a roadmap that reflects an effective cooperation strategy both short and long term.

A cooperation strategy should be designed in consultation with the Libyan Government and other partners. This is a condition necessary for the consolidation of Tunisia’s position and the intensification of trade and investment flows between the two countries. Identifying the needs and obstacles to trade and investment in Libya will guarantee the success of such a strategy.

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Interview with Mr Wajdi Khmakhem, Director of the Foreign Trade Department. Ministry of Commerce, Tunisia

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