1. (SBU) Summary: During the Microsoft Government Leaders Forum in South Africa July 11-12, the GOT and the Microsoft Corporation signed a partnership agreement that provides for Microsoft investment in training, research, and development, but also commits the GOT to using licensed Microsoft software. According to Microsoft Tunisia Director General Salwa Smaoui, the agreement is a win-win for both Microsoft and the GOT. The negotiation process and the brokered deal
itself are illustrative of GOT priorities and the cost of doing business in Tunisia. End Summary.

2. (SBU) The agreement between Microsoft and the GOT was signed in July during the Microsoft Government Leaders Forum in South Africa. Although signed in July, information about the agreement has not been forthcoming from either the GOT or Microsoft and, despite repeated requests, Microsoft has yet to provide post with a copy of the final agreement. In a September meeting with EconOffs, Microsoft Tunisia Director General Salwa Smaoui provided an overview of the main points. The final agreement outlines cooperation on GOT e-governance, cyber security, intellectual property rights, and capacity development for Tunisian information technology programs. Microsoft will establish a Microsoft Innovation Center in Tunisia for developing local software production capacity by providing training and consulting services to software developers. Expanding the Tunisian IT sector has become a priority for the GOT as a way to absorb the growing number of unemployed university graduates. According to Smaoui, the GOT invests approximately one percent of GDP in research and development in the IT sector. Microsoft has also agreed to provide training to handicapped Tunisians to enable them to seek employment in the IT sector by telecommuting. (Note: President Ben Ali's wife Leila Ben Ali runs a charity for handicapped Tunisians. End Note.)

3. (U) As part of the agreement, Microsoft will help the GOT to upgrade and modernize its computers and networking capabilities. In turn, the GOT agreed to purchase twelve thousand licenses to update government computers with official Microsoft software, rather than the pirated versions that have been commonly used, according to one Microsoft employee. Since 2001, the GOT adopted an open software policy, using only free software programs. Additionally, future GOT tenders for IT equipment will specify that the equipment must be Microsoft compatible, which is currently prohibited by the Tunisian open software policy.

4. (SBU) The agreement also touches on internet security. Through a program on cyber criminality, Microsoft will train government officials in the Ministries of Justice and Interior on how to use computers and the internet to fight crime. As part of this program, Microsoft will provide the GOT with original source codes for its programs. When asked by EconOff whether Microsoft had any concerns about releasing its source codes, Smaoui replied that the source codes would only be available to a small number of officials. Nevertheless, the agreement contains language stating the Microsoft and the GOT will work jointly on intellectual property rights. This agreement also provides for a separate agreement to be signed creating a security cooperation program that will provide more general internet security training to the public.
5. (C) According to Smaoui, the agreement is the culmination of a five-year negotiation process. Smaoui was named Microsoft's Director General for Tunisia about one year ago and, although currently hesitant to fully disclose the final details, provided frequent updates to Post on the progress of the negotiations. She reported that at times the GOT's suspicion of Microsoft because of its "American-ness" seemed to outweigh its technical evaluation of the proposal. She said that she had been asked several times by GOT ministers why, as a Tunisian, she was "working for the Americans," and often felt suspicion bordering on hostility during the negotiations. Smaoui also noted that the GOT wanted a "tailor-made" agreement, rather than a prepackaged program that would be "imposed" on Tunisia. This attitude towards the negotiation process required Microsoft to focus just as carefully on the presentation as the substance.

6. (C) In a call on DCM a few days before the South Africa Forum, Smaoui worried that she was going to the Forum without a signed agreement in hand and could not confirm that the GOT's representative would even show up. She fretted that she might have to confess to Bill Gates that she had no reason to be at the Forum. In the event, Khedija Ghariani, Secretary of State for Computers, Internet, and Free Software, attended and signed the agreement on behalf of the GOT. Despite the drawn-out negotiations, Smaoui stated that reaching an agreement was "vital" for Microsoft. The fact that the government relied on open source software drastically limited business in Tunisia and prevented Microsoft from participating in GOT tenders. Additionally, the agreement reinforces an objective both Microsoft and the GOT share -- establishing a knowledge society. Smaoui stated that even though Microsoft will be investing in Tunisia, the sum of investment will be lower than the cost of GOT purchases.

7. (C) Comment: Although the agreement has been hailed as a triumph for intellectual property rights, the negotiations and the brokered deal itself reveal a more complicated reality. Microsoft was able to broker the final agreement by appealing to GOT unemployment sensitivities as well as by adapting to the realities of doing business in Tunisia. Even as the goal of expanding employment opportunities for handicapped Tunisians is worthy, the program's affiliation with Leila Ben Ali's charity is indicative of the backroom maneuvering sometimes required to finalize a deal. Microsoft's reticence to fully disclose the details of the agreement further highlights the GOT emphasis on secrecy over transparency. In theory, increasing GOT law enforcement
capability through IT training is positive, but given heavy-handed GOT interference in the internet, Post questions whether this will expand GOT capacity to monitor its own citizens. Ultimately, for Microsoft the benefits outweigh the costs. End Comment.
BALLARD