Executive Summary

Section not provided.

1. Openness to, and restrictions upon, Foreign Investment

The Tunisian Government (GOT) places a priority on attracting foreign direct investment (FDI). This focus has led some Tunisian businessmen to question whether governmental incentives for FDI favor foreign investors over Tunisians. Historically, the government encouraged export-oriented FDI in key industrial sectors, such as call centers, electronics, aerospace and aeronautics, automotive parts, and textile/apparel manufacturing. To minimize possible negative impact on domestic competitors and employment, the GOT screens FDI that targets the domestic market.

Foreign investment in Tunisia is regulated by the Investment Code (Law 1993-120), last amended in 2009. A new Code is currently under study. The goals of the new law include job creation, compliance with international standards, reduced regional economic disparities, and infrastructure development in the country's less-developed west and south-central regions. Proposed revisions that relax constraints on FDI may include expansion of targeted high priority investment sectors, additional duty-free treatment of production inputs, and lower differential rates of taxation between the Code's "offshore" and "onshore" sectors.

The current Investment Code divides potential investments into two categories:
"Offshore" investment is defined as entities where foreign capital accounts for at least 66% of equity and at least 70% of production is destined for the export market. Some exceptions to these percentages exist for the agricultural sector.

"Onshore" investment caps foreign equity participation to a maximum of 49% in most non-industrial projects. In certain cases subject to government approval, "onshore" industrial investment may attain 100% foreign equity.

It is difficult to predict what may be in a new code as the GOT in May 2014 withdrew the pending code for further revision. Existing hurdles for potential FDI, however, could remain:

Foreign investors may still be denied national treatment in the agriculture sector. Foreign ownership of agricultural land would likely remain prohibited.

GOT authorization could remain difficult to obtain for "onshore" companies outside the tourism sector, especially if the foreign capital share exceeds 49%.

Note: The Code's "offshore/onshore" template currently in effect is being reexamined as part of the Investment Code's revision.

For investments in manufacturing, agriculture, agribusiness, public sector infrastructure, and certain services, only a simple declaration of "intent to invest" may be required, depending on the project. Proposed investment in other sectors can necessitate various Tunisian government authorizations.

Privatization

The Government of Tunisia allows foreign participation in its privatization program. A significant share of Tunisia's FDI in recent years has come from the privatization of state-owned or state-controlled enterprises. Privatization has occurred in telecommunications, banking, insurance, manufacturing, and fuel distribution, among other sectors.

In 2011, the GOT issued a decree (Law 2011-13) confiscating the assets of former President Ben Ali and close family members. The asset list touched upon every major economic sector. Some of Tunisia's largest companies, including Zitouna Bank and Banque de Tunisie (banking), Karthago Airlines (aviation), Carthage Cement (construction), Tunisiana and Orange Tunisie (telecom), Bricorama (household goods), and Ennakl and Alpha Ford (automotive), were included on the list.

To allow the affected companies to continue operations without disruption of service, the GOT appointed conservators to manage them. According to the GOT Commission to Investigate Corruption and Malfeasance, which investigated corruption during the Ben Ali era, a court order is necessary to determine the ultimate handling of frozen assets. Since court actions frequently take years -- and with the government facing immediate budgetary needs -- the GOT decided to act on a case-by-case basis. Calls were released for privatization bids for shares in Tunisiana, Ennakl, Carthage Cement, City Cars, and Banque de Tunisie. The GOT does not exclude the possibility of selling shares in these companies on the "Bourse de Tunis," Tunisia's stock exchange. So far, the privatization process has led to the sale of the GOT's 60% stake in Ennakl to Tunisian consortium Poulina-Parenin for $150 million, its 13.1% stake in Banque de Tunisie to French group Crédit Industriel et Commercial (CIC) for $140 million, and its 66.7% stake in City Cars to Tunisian consortium Bouchammaoui-Chabchoub for $74 million.

Protected Sectors

To mitigate commercial threat to domestic business and employment from FDI, Tunisia protects certain segments of the economy. Until recently, the government actively discouraged foreign investment in parts of the service sector including restaurants, real estate, and advertising. Foreign ownership of agricultural land is prohibited. However, land can be secured through long-term (up to 40 year) leases, subject to renewal at any time. Some high priority projects may obtain even longer lease terms-- up to 99 years.

GOT investment promotion authorities established regulations that are now more favorable to FDI. Nevertheless, foreign companies continue to confront hurdles when attempting to launch projects not actively promoted by GOT. Many of these issues may be addressed in the context of ongoing negotiations between Tunisia and the European Union over liberalization of the service sector under the EU-Tunisia Advanced Partner Status Agreement and discussions between Tunisia and the United States under the Trade and Investment Framework Agreement (TIFA).

FDI in state monopolies (power generation, water, postal services) can be carried out following completion of a concession agreement. With few exceptions, domestic trading is carried out only by a company set up under Tunisian law, where both the majority of share capital and management is Tunisian. Tunisia's Association Agreement with the European Union which provides duty-free treatment of EU exports can impart additional barriers to non-EU foreign investment. The EU provides significant funding to Tunisia for major investment projects. Clauses in the agreement prohibit non-EU member countries from participation in many EU-funded projects.

Retail

While Tunisia's retail distribution sector continues to expand, potential growth in this sector is more promising than the current reality. The model for large-scale retail distribution is the French multinational retail chain Carrefour which opened its first Tunisian store in 2001. Another French retail company, Auchan, acquired 10% of Magasin Général in 2012. Monoprix, a French grocery franchise, earlier dominated the retail grocery market. Brand name retail outlets, increasingly common in Tunisia's upscale malls, are generally contracted Tunisian-owned enterprises and are not franchisees, per se.

Franchising

In 2009, the GOT introduced a law to regulate domestic trade (Law 2009-69) which included a framework for franchising. Until then, franchise status was granted to businesses only on a case-by-case basis. In general, the law seeks to encourage investment, create jobs, and boost knowledge transfer. No prior authorization is required for franchises operating within a list of approved sectors. Sectors that still need specific GOT approval to operate include food, real estate, and advertising. Tunisian businessmen report they are seeking international franchisors. They express confidence that a market exists for brand-name franchises to thrive. There is increased recognition that competition from international franchises helps catalyze the capability of Tunisian enterprises to comply with international standards.

Real Estate

Ownership of real estate is subject to specific limitations such as the prohibition on foreign ownership of agricultural land. Most FDI-related real estate projects are urban residential and commercial. During the last decade, significant Arabian Gulf investment in the real estate sector was announced. However, a number of projects were postponed or otherwise delayed. Other FDI real estate endeavors continue to move forward. The Bukhatir Group's Tunis Sports City, a sports and recreational complex, remains in train, albeit at a slower pace than planned. Some delays are attributable to Tunisia's transition. In March 2014, the GOT signed an agreement with Gulf Finance House to start construction of Tunis Financial Harbor, a $3 billion residential and financial project that when completed may create up to 16,000 jobs.

2. Conversion and Transfer Policies

The Tunisian dinar (TND) can be traded only within Tunisia. It is illegal to move dinars out of the country. The TND is convertible for current account transactions (repatriation of profits, bona fide trade and investment operations etc.) Central Bank authorization is needed for some foreign exchange operations.

The Tunisian dinar is pegged daily by the Central Bank to a basket of currencies, using weights that reflect the relative importance of these currencies in Tunisia's external trade (including among others, the U.S. dollar, the Japanese yen and the heavily weighted Euro). It is adjusted in real effective terms to the fluctuations of these currencies, taking into consideration inflation differentials. The exchange rate is freely quoted by Tunisian banks who command a slight transaction premium. The Central Bank can intervene in the market to stabilize the currency or relieve pressure on the spot market. In 2013, the TND depreciated 5.79% against the U.S. dollar and 7.54% against the Euro.
Non-residents are exempt from most exchange regulations. Under foreign currency regulations, non-resident companies are defined as having:

Non-resident individuals who own at least 66% of the company's capital, and

Capital financed by imported foreign currency.

Foreign investors may transfer funds at any time and without prior authorization. This applies to both principal and capital in the form of dividends or interest. U.S. companies have generally praised the speed of transfers from Tunisia but have lamented that long delays may occur in some operations.

There is no limit to the amount of foreign currency that visitors can bring into Tunisia to exchange for Tunisian dinars. Amounts exceeding the equivalent of TND 25,000 ($15,382) must be declared at the port of entry. Non-residents must also report foreign currency imports if they wish to re-export or deposit more than TND 5,000 ($3,076). Tunisian customs authorities may require currency exchange receipts on exit from the country.

According to the Central Bank foreign currency reserves in December 2013 reached TND 11.602 billion (roughly $7.14 billion), the equivalent of 106 days of imports and down from 119 days at the end of 2012.

3. Expropriation and Compensation

The Tunisian Government has the express right to expropriate property by eminent domain; there is no evidence of discrimination against foreign companies or individuals. Compensation must be provided in all cases. There are no outstanding expropriation cases involving U.S. interests. No policy changes on expropriation are anticipated.

4. Dispute Settlement

There is no pattern of significant investment disputes or discrimination involving U.S. or other foreign investors. However, to avoid misunderstandings, contracts for trade and investment projects should always contain an arbitration clause detailing how disputes should be handled and the applicable jurisdiction. Tunisia is a member of the International Center for the

Settlement of Investment Disputes and is signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Tunisia and the United States have a Bilateral Investment Treaty, which also has dispute resolution clauses.

The Tunisian legal system is secular. It is based upon the French Napoleonic code and meets EU standards. While the new Tunisian constitution guarantees the independence of the judiciary, the courts and broader judiciary must still be reformed and the institutions under the new constitution constructed.

The Tunisian Code of Civil and Commercial Procedures does allow for the enforcement of foreign court decisions under certain circumstances.

5. Performance Requirements and Incentives

Until recently, performance requirements were generally limited to investment in the petroleum sector. Now, such requirements are in force for private sector infrastructure projects, for example, telecommunications. These requirements tend to be specific to the concession or operating agreement (e.g. drilling a certain number of wells or producing a certain amount of electricity.) More broadly, preferential status (offshore, free trade zone) conferred upon some investment is linked to percentage of foreign corporate ownership and percentage production for the domestic market.

The Tunisian Investment Code and subsequent amendments provide investors with a broad range of incentives. These include multi-year tax relief on reinvested revenues and profits, limitations on the value-added tax (VAT) on many imported capital goods, and optional depreciation schedules for production equipment. Tunisian businessmen perceive some of these incentives such as the long tax holiday as too favorable to foreign investors. With the ongoing review of the Investment Code, changes to incentives may occur that could affect foreign investment to Tunisia.

The Tunisian government's Foreign Investment Promotion Agency (FIPA) developed incentives to draw investment to Tunisia's interior regions. These incentives extend the advantages available to the offshore sector, such as the 10-year tax exemption on profits, for onshore investments in priority development areas. According to FIPA, companies investing in these regions may import raw materials, semi-finished products, and equipment duty and tax-free, or purchase those same items locally without paying the VAT. In addition, the Tunisian government provides an 8-25% cash or credit subsidy on the total value of the investment (up to $230,000 in general; $715,000 in priority regional development areas).

To incentivize the employment of new college graduates, the Tunisian government may assume the employer’s portion of social security costs (16% of salary) for the first seven years of the investment with an extension of up to 10 years for investments in the interior regions. FIPA also announced a monthly $178 cash stipend provided to the company by the Tunisian government for every college graduate hired, plus a credit for 50% of training costs, with a $178,000 cap per company.

Investments with high job creation potential may benefit, under very limited conditions determined by the Higher Commission on Investment, from the purchase of state-owned land for essentially a symbolic payment (one TND per square meter- less than $1.) Investors who purchase companies in financial distress may also benefit from certain clauses of the Investment Code, such as tax breaks and social security assistance. These advantages are determined on a case-by-case basis.

Additional incentives are available to promote investment in designated regional investment zones in economically depressed areas of the country, and throughout the country in the following sectors: health, education, training, transportation, environmental protection, waste treatment, research and development, and technology, e.g., software.

Further benefits are available for investments of a specific nature. For example, companies with at least 70% of production directed for the export market may receive tax exemptions on profits and reinvested revenues, duty-free import of capital goods with no local equivalents, and full tax and duty exemption on raw materials and semi-finished goods and services necessary for the business.

Foreign resident companies face a number of restrictions related to the employment and compensation of expatriate employees. Currently, Tunisian law limits the number of expatriate employees allowed per company to four (excluding oil and gas companies). There are lengthy renewal procedures for annual work and residence permits. Although rarely enforced, legislation limits the expatriate work permit validity to two years. Central Bank regulations impose administrative burdens on companies seeking to pay for temporary expatriate technical assistance from local revenue. For example, before it could receive authorization to transfer payment from its operations in Tunisia, a foreign resident company that utilizes a foreign accountant must document that the service is necessary, fairly valued, and unavailable in Tunisia. This regulation prevents a foreign resident company from paying for services performed abroad.

According to the World Bank report “Doing Business 2014” that scans business over 189 economies, Tunisia’s overall ranking dropped to 51, falling two spots from 49 in the 2013 report. The largest drop for Tunisia (8 spots) was in “Dealing with Construction Permits.” That process currently requires 19 procedures, whereas the average in the MENA region is 16 and 13 in the OECD. For U.S. passport holders, a visa is not necessary for stays of up to three months; a residence permit is required for longer stays.

6. Right to Private Ownership and Establishment

Tunisia assures a right to private ownership both foreign and domestic. Tunisian government actions indicate a preference for offshore, export-oriented FDI. Investors in that category are generally free to establish and own businesses and engage in most forms of remunerative activity. Investment which competes directly with established Tunisian firms or is perceived as leading to a net outflow of foreign exchange may be discouraged or blocked.

Acquisition and disposal of business enterprises may be complicated under Tunisian law depending on a proposed transaction’s contract terms. Disposal of a business investment that leads to a reduction in the labor force may be challenged or subjected to substantial employee compensation requirements. Acquisition of an onshore company may require special authorization from the government if an industry subject to limits on foreign equity shareholding (such as the services sector).

Under Tunisia's bankruptcy law, the "Recovery of Companies in Economic Difficulties" (Redressement des Entreprises en Difficultés Economiques), last amended in 2003, the government's principal interest in addressing a company in distress is preservation of jobs, not necessarily the liquidation of assets or protection of creditors. The GOT is considering further amendment of the law to bring it up to international standards.

7. Protection of Property Rights

Secured interests in property are enforced in Tunisia. Mortgages and liens are in common use.

Tunisia is a member of the World Intellectual Property Organization (WIPO) and signatory to the United Nations (UNCTAD) Agreement on the Protection of Patents and Trademarks. The agency responsible for patents and trademarks is the National Institute for Standardization and Industrial Property (INNORPI - Institut National de la Normalisation et de la Propriété Industrielle). Tunisia is also a party to the Madrid Protocol for the International Registration of Marks. Foreign patents and trademarks should be registered with INNORPI.

Tunisia's patent and trademark laws are designed to protect owners duly registered in Tunisia. In the area of patents, foreign businesses are guaranteed treatment equal to that afforded to Tunisian nationals. Tunisia updated its legislation to meet the requirements of the WTO agreement on Trade-Related Aspects of Intellectual Property (TRIPS). Copyright protection is the responsibility of the Tunisian Copyright Protection Organization (OTPDA - Organisme Tunisien de Protection des Droits d'Auteur), which also represents foreign copyright organizations.
If copyright violation is suspected, customs officials are permitted to inspect and seize suspect goods. The Customs Code allows customs agents to operate throughout the entire country for products utilizing foreign trademarks registered at INNORPI. Tunisian Copyright Law applies to literary works, art, scientific works, new technologies, and digital works. However, its application and enforcement have not always been consistent with foreign commercial expectations. Print, audio, and video media are considered particularly susceptible to copyright infringement. There is evidence of significant retail sale of illegal products in these media formats. Illegal copying of software and entertainment CDs/DVDs is widespread.

Although the concept and application of intellectual property rights (IPR) protection is still in the early stages, the government is making an effort to build awareness and increase enforcement efforts. These efforts forced a major supermarket chain to halt the sale of pirated audio and video goods. New IPR legislation is being drafted that will improve enforcement capabilities and strengthen punishment for offenders.

8. Transparency of Regulatory System

While the Tunisian government has adopted policies designed to promote foreign investment, aspects of existing tax and labor laws remain impediments to efficient business operations. Some cumbersome and time-consuming bureaucratic procedures persist. Foreign employee work permits, commercial operating license renewals, infrastructure-related services, and customs clearance for imported goods are usually cited as the lengthiest and most opaque procedures in the local business environment. Investors have commented on inconsistencies in the application of regulations. Not limited to foreign investment, cumbersome procedures also affect the domestic business sector.

9. Efficient Capital Markets and Portfolio Investment

Tunisia's financial system is dominated by its banking sector. Unfortunately, the over-reliance on banks is an impediment to faster economic growth and stronger job creation. Banks account for roughly 90% of financing in Tunisia. Meanwhile, public equity capitalization is relatively small; the country's tiny stock market provides 6-7% of total corporate financing. Other mechanisms such as bonds and microfinance account very marginally to the overall economy. Although the financial system contains the key ingredients for success, including established institutions and an investment savvy-public, it continues to suffer from an overreliance on troubled banks and burdensome regulations.

Banking

Tunisia hosts 31 banks, of which 20 conduct both commercial and investment banking. Two are Islamic universal banks, seven are offshore, and two are business banks. After the fall of the Ben Ali government, companies, banks, and real estate that belonged to ousted President Ben Ali's family were brought under GOT receivership. Zitouna bank, formerly owned by the former president's son-in-law Sakher El-Materi, was operated by a legal administrator appointed by the Tunisian Central Bank from January 2011 until the board elected a new director in June 2012. Final disposition of the banking assets of the former president and his family is still pending.

As a share of GDP, private credit stands at 65% in Tunisia. According to the World Bank, this level lags behind economic peers such as Morocco and Jordan where the rate is 80%. The World Bank's 2014 "Doing Business Survey" ranks Tunisia 109th in terms of ease of access to credit. According to the IMF Financial System Stability Assessment, the banking sector faces significant challenges owing to a weak domestic economy and the legacy of the previous regime. In particular, loan quality, solvency, and profitability have deteriorated. Weak underwriting practices contribute to inappropriate lending to well-connected borrowers. Tunisia's 20 onshore banks offer essentially identical services targeting the same small segment of Tunisia's larger corporate entities. Meanwhile, small and medium enterprises (SMEs) and individuals often have difficulty accessing bank capital, particularly due to high collateralization requirements.

Government regulations hold down lending rates. This prevents banks from pricing their loan portfolios appropriately and incentivizes bankers to restrict the provision of credit. Competition among Tunisia's many banks has the effect of lowering observed interest rates. However, banks often place conditions on loans that impose far higher costs on borrowers than interest rates alone would suggest. These non-interest costs may include massive collateral requirements, which normally come in the form of liens on real estate. Often, the collateral must equal or exceed the value of the loan principal. Collateral requirements are often so high because banks face difficulty using regulations to claim their collateral, thereby adding to banking costs. According to GOT figures, nonperforming loans (NPLs) among Tunisia’s banks reached TND 12.5 billion (roughly $7.95 billion) in March 2014. This corresponds to a ratio increase to 20% up from 13% in 2010. By sector, weak performances in industry and tourism triggered respectively 30% and 23% shares in total NPLs. In recent years the government has undertaken a number of bank privatizations and consolidations. The GOT remains the controlling shareholder in 6 of the 21 major banks. In 2012, the estimated total assets of the country's five largest banks were nearly TND 35.5 billion ($22.7 billion). Foreign participation in their capital has risen significantly and is now well over 20%.

Stock Market

Although the stock market is the second largest financing mechanism in the Tunisian economy, Tunisia’s “Bourse de Tunis” lists just 71 companies and trading volumes are exceptionally low. Twelve new companies went public in 2013. The exchange remains under the control of the state-run Financial Market Council. In December 2013, the stock market capitalization of listed companies in Tunisia was valued at $8.7 billion, approximately 18.6% of 2013 GDP.

In the last five years, regulatory and accounting systems have been brought more in line with international standards. Most major global accounting firms are represented in Tunisia. Firms listed on the stock exchange are required to publish semiannual corporate reports audited by a certified public accountant.

The GOT provides tax incentives that seek to encourage companies to join the exchange. In addition, individual investors receive tax deductions for equity investment in the market. However, accompanying accounting requirements exceed what most Tunisian firms can, or are willing, to undertake. Capital controls are still in place and foreign investors are permitted to purchase shares in resident firms only through authorized brokers or through established mutual funds.

Other Financing

Beyond the traditional banks and the stock market, few effective financing mechanisms are in place in the Tunisian economy. No true bond market exists in Tunisia. Government debt is sold to financial institutions and is not re-traded on a formal, transparent secondary market. Private equity remains a niche element in the Tunisian financial system. Firms have difficulty raising sufficient capital, sourcing their transactions, and selling their stakes in successful investments once they mature. The microfinance market remains underexploited, with non-governmental organization Enda Inter-Arabe the dominant lender in the field.

Financial authorities recognize the need to address regulatory gaps in the existing system. Non-resident individuals or companies may introduce financial products and services to the economy, as well as perform other relevant financial operations. Non-resident financial service providers where all capital is foreign owned may, in some cases and under certain conditions, provide services to residents. Regarding financial products, the GOT distinguishes between securities and financial contracts. Both must be issued in Tunisia or negotiated on a foreign-regulated market that is a member of the International Securities Commissions Organization.

Concerning financial service providers, the GOT established two categories: banking (deposits, loans, payments and exchange operations, acquisition of capital for operating or new companies) and investment services (reception, transmission, order execution, and portfolio management.) Among the conditions required, non-resident financial service providers must present initial minimum capital (fully paid up at subscription) of TND 25 million ($16.13 million) for a bank, TND 10 million ($6.45 million) for a non-bank financial institution, TND 7.5 million ($4.84 million) for an investment company, and TND 250,000 ($161,300) for a portfolio management company.

10. Competition From State Owned Enterprises

Since the late 1980s, Tunisia has undertaken many reforms aimed at reducing the state's involvement in economic activities. Reforms have centered on:

Re-structuring the national economy as part of the program for the comprehensive upgrading of private and public enterprises;

Liberalizing trade through the removal of import and export licenses;

Dismantling customs duties on imported goods in line with Tunisia's international commitments (especially within the World Trade Organization and the Association Agreement with the European Union);

Establishing bilateral and/or multilateral free-trade agreements with regional countries including Morocco, Egypt, Jordan, Libya, and Algeria;

Providing incentives to the private sector through a unified investment code for public and private enterprises, reforms in financial and tax systems and trade policy; and

Privatizing a number of sectors, such as telecommunications.

SOEs are still active throughout the economy and compete alongside the private sector in such sectors as telecom and insurance. They retain monopoly control in other sectors considered sensitive by the government, such as railroad transportation, water and electricity distribution, postal services, and port logistics. Importation of basic staples and strategic items such as cereals, sugar, oil, and steel remain under SOE control.

Senior management of SOEs is appointed by the GOT and report to the respective minister. Boards of directors are mainly formed by representatives from other ministries and public shareholders. Like private companies, SOEs are required by law to publish independently-audited annual reports, whether or not their capital is publicly traded on the stock market.

Tunisia does not have a Sovereign Wealth Fund (SWF).

11. Corporate Social Responsibility

The GOT favorably views the concept of corporate social responsibility. The corporate social responsibility model has yet to take firm hold among companies in Tunisia. To date, the most successful campaigns have focused on preserving the environment, energy conservation, and combating counterfeit pharmaceuticals.

Most corporate social responsibility initiatives come from foreign multinationals that incorporate Tunisia into worldwide campaigns. Examples include support for an educational program related to children's nutrition, a clean water initiative, and creation of a program aimed at discouraging emigration of skilled workers from Tunisia.

12. Political Violence

Tunisia has a history of political stability; incidents involving politically-motivated damage to economic projects or infrastructure were extremely rare. In December 2010 and January 2011, however, civil unrest erupted in the underserved interior regions of Sidi Bouzid, Kasserine, and Le Kef, as well as in Tunis. These protests, fueled by economic grievances, public resentment of corruption, and the lack of political freedom, spread and eventually forced former President Ben Ali and some members of his family to flee Tunisia on January 14, 2011.

Two high profile political assassinations in 2013, Chorkri Bel Eid and Mohamed Brahmi, resulted in widespread public protests. Political calm was restored in early 2014 with the successful conclusion of Tunisia’s national dialogue and the installation of the Mehdi Jomaa Government of political independents to lead the country to new parliamentary and presidential elections by the end of 2014.

Travelers are urged to visit www.travel.state.gov for the latest travel alerts and warnings regarding Tunisia.

13. Corruption

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act
In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments
It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements.

OECD Antibribery Convention
The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA.

UN Convention
The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing

and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery.

OAS Convention

In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html)

Council of Europe Criminal Law and Civil Law Conventions

Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements

While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements.

Local Laws

U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses

The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial

Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA

The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Tunisia Corruption Climate

Anecdotal reports from Tunisian and U.S. businesses with regional experience suggest that corruption exists but is not as pervasive as that found in neighboring countries. U.S. investors report that corrupt practices involve routine procedures for doing business (customs, transportation, and some bureaucratic paperwork.) However, these behaviors do not appear to pose a significant barrier to doing business in Tunisia. Transparency International's (TI) Corruption Perceptions Index (CPI) 2013 gave Tunisia an overall score of 41, where 0 indicates a country is perceived as "highly corrupt" and 100 means it is perceived as "very clean."

Though the country's score remains unchanged from 2012, it's now ranked77th, a two-spot slip compared to 2012. At the regional level, Tunisia is ranked 8th among MENA countries, ahead of its direct competitor, Morocco (91), and neighbors, Algeria (94) and Libya (172).

Most U.S. firms involved in the Tunisian market (generally in the offshore sector) do not identify corruption as a primary obstacle to foreign direct investment. Tunisia's penal code devotes 11 articles to defining and classifying corruption and assigns corresponding penalties (including fines and imprisonment). Several other legal texts also address broader concepts of corruption. Detailed information on the application of these laws or their effectiveness in combating corruption is not publicly available. There are no GOT statistics specific to corruption. The Independent Commission to Investigate Corruption, created in 2011, focused on previous abuse of power. Before the Commission's establishment, the Tunisian Ministry of Commerce published information on cases involving infringement of the commercial code. Rather than corrupt practices, these reports generally covered relatively low-level abuses, such as non-conforming labeling procedures and price/supply speculation.

The government's recent efforts to combat corruption have concentrated on the seizure and privatization of assets belonging to Ben Ali's family members, assurance that price controls on food products, gasoline, etc., are respected, enhancement of commercial competition in the domestic market, and harmonization of Tunisian laws with those of the European Union. Since 1989, the public sector has been governed by a comprehensive law designed to regulate each phase of public procurement. The GOT also established the Higher Market Commission (CSM - Commission Supérieure des Marchés) to supervise the tender and award process for major government contracts. The government publicly supports a policy of transparency. Public tenders require bidders to provide a sworn statement that they have not and will not, either themselves or through a third party, make any promises or give gifts with a view to influencing the outcome of the tender and realization of the project. Despite the law, competition on government tenders appears susceptible to corruptive behavior. Pursuant to the FCPA, the U.S. Government requires that American companies requesting U.S. government advocacy certify they do not participate in corrupt practices.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html.

See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp.

The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

14. Bilateral Investment Agreements

A Trade and Investment Framework Agreement (TIFA) between Tunisia and the United States was signed in 2002. It remains active with TIFA Council meetings slated for June 2014. A Bilateral Investment Treaty (BIT) between Tunisia and the United States took effect in 1991. A 1985 treaty (and 1989 protocol) guarantees U.S. firms freedom from double taxation.

Tunisia concluded bilateral trade agreements with approximately 81 countries, including neighbors Libya and Algeria. In January 2008, Tunisia's Association Agreement with the EU went into effect. This agreement eliminated tariffs on industrial goods with the eventual goal of creating a free trade zone between Tunisia and the EU member states. After being approved for Advanced Partner status in 2012, Tunisia is currently negotiating services and agriculture provisions with the EU. In addition, Tunisia is signatory to the Multilateral Investment

Guarantee Agency (MIGA), a member of the World Bank Group which offers private sector political risk insurance guarantees. Tunisia has signed the WTO Agreement, bilateral agreements with the Member States of the European Free Trade Association (EFTA), bilateral and multilateral agreements with Arab League members and Turkey.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC), an independent U.S. Government agency that sells investment services to assist U.S. companies investing abroad, has been active in the Tunisian market since 1963. OPIC provides political risk insurance and financing to U.S. companies. OPIC has also designed a number of investment funds that include Tunisia. These funds cover, among other sectors, renewable energy, franchising, and small and medium enterprise development. OPIC supports private U.S. investment in Tunisia and has sponsored several reciprocal investment missions.

16. Labor

Tunisia has a highly literate labor force of approximately 3.4 million. The 2013 official unemployment rate is 15.3%, a figure that reaches 25% to 35% among university graduates. Nearly 22% of Tunisian women, many of them holding advanced degrees, are unemployed. Official statistics do not count underemployment or disaggregate data geographically. Employment is highly distorted in favor of the coastal tourist regions over central and southern Tunisia. Unemployment is Tunisia's most pressing economic issue.

Just to keep unemployment at current levels, nearly 80,000 new jobs must be created each year. Over the past two decades, the structure of the workforce has remained relatively stable (15.3% agriculture and fishing, 33.6% industrial, and 51% commerce and services.) Tunisia has been more successful in developing its industrial sector and creating employment for low-skilled jobs. It has been unable to absorb newly educated entrants into the job market.

The right of labor to organize is protected by law. Currently, there are three national labor confederations. The oldest and largest is the General Union of Tunisian Workers (UGTT - Union Générale des Travailleurs Tunisiens). Two newer ones are the General Confederation of Tunisian Workers (CGTT – Confederation Générale des Travailleurs Tunisiens) and the Tunisian Labor Union (UTT – Union Tunisienne du Travail), created in May 2011. The 517,000-member UGTT claims about one third of the labor force as members, although more are covered by UGTT-negotiated contracts. Wages and working conditions are established through triennial collective bargaining agreements between the UGTT, the national employers' association (UTICA - Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat), and the GOT. These tripartite agreements set industry standards and generally apply to about 80% of the private sector labor force, whether or not individual companies are unionized.

Since 2011, labor groups have called for reform of labor laws and have increased demands on employers. The latest wage increase (6%) agreement applicable to both the public and private sectors was signed in 2012. In the meantime, an emboldened labor movement increased its demands for private sector reforms. Labor unrest is still an issue.

The official national minimum monthly wage in the industrial sector is 280 TND ($172.3) for a 40 hour week and 320 TND ($196.9) for a 48 hour week.

17. Foreign Trade Zones/Free Trade Zones

Tunisia has two free trade zones, one in the north at Bizerte, and the other in the south at Zarzis. The land is state-owned, but the respective zones are managed by a private company. Both zones enjoy adequate public utilities and fiber optic connectivity. Companies established in the free trade zones, officially known as "Parcs d'Activités Economiques," are exempt from taxes and customs duties and benefit from unrestricted foreign exchange transactions. Inputs enjoy limited duty-free entry into Tunisia for transformation and re-export. Factories are considered bonded warehouses and have their own assigned customs personnel.

According to the director of the Parcs d'Activités Economiques de Bizerte (PAEB), all sites within the original portion of the 30 hectare Bizerte free trade zone have been sold. Two other landscaped PAEB locations outside the city are partially filled. Companies may rent space within PAEB's zones for 3 Euros per square meter annually – a level unchanged since 1996 -- plus a low service fee. Long-term renewable leases, up to 25 years, are subject to a negotiable 3% escalation clause. Expatriate personnel are allowed duty free entry of personal vehicles. During the first year of operations companies within the zone must export 100% of production. Each following year, the company may sell domestically up to 30% of the previous year's total volume of production, subject to local customs duties and taxes. Termination of leases has not been a problem, and all companies that desired to depart the zone reportedly did so successfully.

Companies do not necessarily have to be located in one of the two designated free trade zones to operate with this type of business structure. In fact, the majority of offshore enterprises are situated in various parts of the country. Regulations are strict, and operators must comply with the Investment Code.

18. Foreign Direct Investment Statistics

Foreign direct investment inflows have fluctuated wildly since 2011 due to the political transition and revised credit ratings by the major agencies.

Total foreign investment in 2013 reached 1.959 TND billion ($1.2 billion) which represented a 24.3% decrease compared to 2012. This decrease is attributable to the shaky political and security situation of the country in 2013 following the September 2012 attack on the U.S. Embassy and two 2013 political assassinations. From 2010 through 2013, major economic sectors registered lower FDI flows: services (-20.6%), industry (-15.7%), and energy (-18.8%). The only sector where FDI flows increased over this period was agriculture (+293.8%).

According to GOT statistics for 2012, 3,068 foreign or joint capital companies were operational in Tunisia. Foreign direct investment generate about one-third of the country's exports and provide one-fifth of total employment. In recent years, FDI in real estate, infrastructure, and the energy sector has been a significant source of growth.

Tunisia's largest single foreign investor is British Gas, which developed the Miskar offshore gas field ($650 million). The company is investing a further $500 million for new development. The largest single foreign investment was Turkish company TAV's 550 million Euro ($792 million) construction of the Enfidha International Airport which is operating on a 40-year concession. Major foreign presence in other key sectors includes telecommunications and electronics (Alcatel-Lucent, Lacroix Electronique, Sagem, Stream, Siemens, Thomson), pharmaceuticals (Sanofi Aventis, Pfizer), the automotive industry (Lear Corporation, Autoliv, Leoni, Valeo, Toyota Tsusho, Pirelli), food products (3 Suisses, Nestlé), and aeronautics (Zodiac Aerospace, Aerolia, Eurocast, SEA Latelec).

Major U.S. corporations in Tunisia include: Citibank, Cisco, Coca-Cola, Crown Maghreb Can, Eurocast (a joint venture with Palmer), Hewlett-Packard, Johnson Controls, Lear Corporation, Microsoft, Pfizer, Sungard, Stream, and General Electric.

Web Resources

Foreign Investment Promotion Agency (FIPA) www.investintunisia.tn
Central Bank of Tunisia www.bct.gov.tn
Tunisian Industrial Promotion Agency www.tunisieindustrie.nat.tn
Bizerte Free Zone www.bizertaeconomicpark.com.tn
Zarzis Free Zone www.zfzarzis.com.tn
Stock Exchange www.bvmt.com.tn
Privatization www.privatisation.gov.tn
National Statistic Institute (INS) www.ins.nat.tn

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