TUNISIA
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

Tunisia is located in North Africa. In 2014, Tunisia's transition to democracy made remarkable progress. The country ratified a democratic constitution, and an interim government succeeded in stabilizing the security situation. This past November, general elections ushered in a new parliament, while welcoming their first democratically elected president in December. The political party by the name of Nida Tounes, which formed in 2012, won a plurality of seats in the parliament and its leader, 88-year old Beji Caid Essebsi, secured the presidency. Following tough negotiations Prime Minister Habib Essid formed a national unity government with four of the five largest parties in parliament, including Nida Tounes and Nahda.

Tunisians have high expectations for economic growth, and President Caid Essebsi has called for structural reforms as a way to overcome substantial economic challenges. Unemployment remains stubbornly high at 15 percent overall and 31 percent among university graduates. Purchasing power and inflation are major preoccupations for Tunisians. The United States and other donors have strongly encouraged the new government to pass key legislation in 2015. These include a revised investment code; a new public-private partnership law; and reforms on banking, taxes, and customs. Enacting these reforms will be essential in attracting foreign and domestic investment.

In March 2015 the U.S. Government organized an Investment and Entrepreneurship Conference to promote Tunisia as an investment destination. It marked the third U.S.-Maghreb Entrepreneurship Conference, a Partner for a New Beginning – North Africa Partnership for Economic Opportunity (PNB-NAPEO) initiative launched in 2010. Organized with AmCham Tunisia, the Conference showcased Tunisia's foreign investment potential as a market for U.S. companies. The conference also fostered dialogue on Tunisia's economic reform agenda, deepened ties with Tunisian business and government leaders, and provided valuable networking opportunities for entrepreneurs and business leaders.

Tunisia needs the support of international lenders and bilateral aid to effectively implement these reforms. The United States has provided more than USD 300 million worth in economic growth related activities since 2011, including loan guarantees in 2012 and 2014 allowing the GOT to borrow nearly USD 1 billion to help stabilize government finances, ongoing support for small and medium enterprises, and technical assistance to implement economic reform.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The newly elected Government of Tunisia (GOT) was sworn into power on February 6, 2015 following three rounds of free and fair democratic elections. The GOT has a five year mandate and places a priority on attracting foreign direct investment (FDI). Tunisia is taking steps to attract FDI, increase foreign currency reserves, and reduce unemployment. There are more than 14,136 foreign companies currently operate in Tunisia. Historically, the GOT has encouraged export-oriented FDI in the interior regions and in key industrial sectors, such as call centers, electronics, aerospace and aeronautics, automotive parts, and textile/apparel manufacturing. The off-shore sectors that attract the greatest FDI are: scientific and technical specialized activities

(37 percent), textile & clothing (12 percent), ICT (9 percent), and wholesale (9 percent; automobiles and motorcycles excluded). Inadequate infrastructure in the interior results in the concentration of most of the foreign investment (offshore and onshore) in the coastal regions of the north-east (78 percent) and the center-east (19 percent). Western and southern regions attracted only 3 percent of foreign companies (491 out of 14,136) despite incentives offered to offshore companies to invest in those regions.

Last amended in 2009 the Investment Code (Law 1993-120) regulates foreign investment in Tunisia. The current code is outdated and overly complicated. In 2015, a new more simplified investment code that will comply with international standards is expected.

The current Investment Code divides potential investments into two categories:
- Offshore investment is defined as entities where foreign capital accounts for at least 66 percent of equity and at least 70 percent of production is destined for the export market. Some exceptions to these percentages exist for the agricultural sector.
- Onshore investment caps foreign equity participation at a maximum of 49 percent in most non-industrial projects. In certain cases subject to government approval, onshore industrial investment may attain 100 percent foreign equity.

The Code's current offshore/onshore template is being reexamined as part of the Investment Code's revision.

Other Investment Policy Reviews

In March 2012, the GOT conducted an investment policy review (IPR) through the Organization for Economic Cooperation and Development (OECD) (http://www.keepeek.com/Digital-Asset-Management/oecd/finance-and-investment/oecd-investment-policy-reviews-tunisia-2012_9789264179172-en#page16.)

Tunisia has been a member of the World Trade Organization (WTO) since 1995. The GOT asked the WTO to undertake a Trade Policy Review in July 2015.

Laws/Regulations of Foreign Direct Investment

Tunisia's multiple and overlapping customs, taxes, and financial incentive schemes are highly complex and difficult to understand for investors. In addition to offshore incentives, Tunisia provides specific incentives to promote regional development, technology, research and development (R&D), innovations, small and medium enterprises (SMEs), and investments in certain sectors (such as education, transport, health, and culture) and environmental protection. The GOT established two free-trade zones that offer benefits for foreign companies similar to those provided to offshore exporting companies.

The GOT is currently working on reforming the Code, and is expected to adopt a new version in 2015 that will likely lower restrictions and simplify outdated procedures. In parallel the GOT amended the law on power generation from renewable energy on April 15, 2015 and is also expected to adopt economic reforms related to public-private partnership (PPP), tax policy, customs, bank recapitalization and reform, bankruptcy, and pricing and competitiveness during the rest of 2015.

Industrial Promotion

Each Ministry establishes a list of opportunities relevant to its sector and communicates that list to three government promotion agencies: the Industrial Promotion and Innovation Agency (APII), the Agriculture Investment Promotion Agency (APIA) and the Foreign Investment Promotion Agency (FIPA).

Limits on Foreign Control

Some strategic sectors like national defense are not open to foreign investment. Due to labor restrictions, foreign firms tend to be confined to making offshore investments, in the energy sector or in low value-added industries.

Market access regulations remain tight in multiple sectors, with 15 sectors and 20 activities for which investment is subject to authorization. These include tourism, transport (road, air, and sea), handcraft, telecommunications, education and vocational training, health, advertising, and agricultural extension services. An additional 49 sectors require pre-authorization on a per case basis by the Commission Supérieure d'Investissement, if a foreign investor intends to hold more than 49 percent of the ownership.

Privatization Program

The GOT 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 many sectors, such as telecommunications, banking, insurance, manufacturing, and fuel distribution, among others.

In 2011, the GOT confiscated the assets of the former regime. The asset list touched upon every major economic sector. According to the GOT Commission to Investigate Corruption and Malfeasance, a court order is required to determine the ultimate handling of frozen assets. Since court actions frequently take years – and with the government facing immediate budgetary needs – the GOT allowed 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 percent stake in Ennakl to Tunisian consortium Poulina-Parenin, its 13.1 percent stake in Banque de Tunisie to French group Crédit Industriel et Commercial (CIC), and its 66.7 percent stake in City Cars to Tunisian consortium Bouchammaoui-Chabchoub. In its efforts to upgrade the banking sector and increase foreign reserves, the GOT is expected to privatize a 15 percent stake in state-owned banks but no information about related tenders is yet available.

Screening of FDI

The GOT screens foreign direct investment (FDI) that targets the domestic market to minimize the possible negative impact on domestic competitors and employment. If a foreign investor seeks to hold more than 49 percent of the ownership of a domestic company (onshore), a pre-authorization from the High Committee on Investment (Commission Supérieure d'Investissement) is required. Authorization of these projects is on a per case basis, depending on sectors and activities. The majority of U.S. businesses in Tunisia choose to operate under the offshore regime to avoid the foreign capital limitation.

Competition Law

The GOT is expected to adopt a new 2015 Competition Law that establishes the authority of the Competition Council in order to reduce government intervention in the economy and promote competition based on supply and demand.

Investment Trends

The GOT is currently working on economic reforms by amending the Investment Code and upgrading bills on banking, taxation, competition, bankruptcy, public private partnership, and access to information. On April 15, the Parliament adopted the law on power generation from renewable energy.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	79 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	60 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	78 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 4,200	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

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, purchases, bona fide trade and investment operations, etc.). Central Bank authorization is needed for some foreign exchange operations. For imports, Tunisian law prohibits the release of hard currency from Tunisia as payment prior to the presentation of certain documents establishing that the merchandise has physically arrived in Tunisia.

The Tunisian Central Bank pegs the TND daily to a basket of currencies (including the Euro, the U.S. dollar, and the Japanese yen) using weights that reflect the relative importance of these currencies in Tunisia's external trade. It is adjusted in real 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 market. In 2014, the TND depreciated 11.5 percent against the U.S. dollar but was stable against the Euro, according to the Central Bank.

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 percent 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. However, procedures for capital and dividend repatriation are complex and subject to discretion by the Central Bank administration. The difficulty in the repatriation of capital and dividends is one of the most recurrent complaints made by offshore investors in Tunisia. The World Bank recommended that the Central Bank of Tunisia simplify capital and dividend repatriation procedures (by reviewing Decree 77-608.)

More information is available at: http://www.bct.gov.tn/bct/siteprod/page.jsp?id=67&la=AN

There is no limit to the amount of foreign currency that visitors can bring into Tunisia to exchange for Tunisian dinars. However, amounts exceeding the equivalent of TND 25,000 (USD 13,158) 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 (USD 2,632). Tunisian customs authorities may require currency exchange receipts on exit from the country.

Remittance Policies

Tunisia does not have remittance policies in place.

3. Expropriation and Compensation

U.S. investments in Tunisia are protected by international law as stipulated in the U.S.-Tunisian Bilateral Investment Treaty (BIT). According to article III of the BIT, the GOT reserves the right for direct and indirect expropriation or nationalization of investments for a public purpose only, in a non-discriminatory manner, and upon advance compensation of the full value of the expropriated investment. The treaty grants the right to prompt review by the Tunisian relevant authorities of the expropriation and compensation's conformity to the principles of international law.

Compensation is granted to both domestic and foreign companies whose investments suffer losses due to events such as war, armed conflict, revolution, state of national emergency, civil disturbance etc. U.S. companies in addition are accorded most favorable treatment, as regards to any measures adopted in relation to such losses. There are no outstanding expropriation cases involving U.S. interests.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

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, constitutionally mandated reforms of courts and broader judiciary reforms are still a work in progress. The Tunisian Code of Civil and Commercial Procedures allows for the enforcement of foreign court decisions under certain circumstances.

There is no pattern of significant investment disputes or discrimination involving U.S. or other foreign investors.

Bankruptcy

Under Tunisia's bankruptcy law, the Recovery of Companies in Economic Difficulties (Redressement des Entreprises en Difficultés Economiques), 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 meet international standards.

The GOT is drafting a new bankruptcy law to merge Chapter IV of the Commerce Law and the Law N° 95-34 (Recovery of Companies in Economic Difficulties law) last updated in 1999 and 2003. The new law intends to decrease the number of non-performing loans and facilitate access of new firms to bank lending. The existing two laws provide a framework but have duplicate and cumbersome processes for business rescue and exit, and give creditors a marginal role.

Investment Disputes

Disputes involving U.S. persons are relatively rare, and in such cases, U.S. firms have generally been successful in seeking redress through the Tunisian judicial system.

International Arbitration

The Tunisian Arbitration Code brought into effect by Law 93-42 of 26 April 1993 governs arbitration in Tunisia. Certain provisions within the code are based on the UNCITRAL model law. Tunisia has several domestic dispute resolution venues. The best known is the Tunis Center for Conciliation and Arbitration. When an arbitral tribunal does not adhere to the rules governing the process, either party can apply to the national court for relief. Unless the parties have agreed otherwise, an arbitral tribunal may, on the request of one of the parties, order any interim measure that it deems appropriate.

ICSID Convention and New York Convention

Tunisia is a member state to the International Centre for the Settlement of Investment Disputes (ICSID convention). They are also signatories to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Duration of Dispute Resolution

Resolutions on investment or commercial dispute proceedings can take several years on average.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Tunisia has been a World Trade Organization (WTO) member since 29 March 1995. The GOT maintains measures that are consistent with Trade Related Investment Measures (TRIMs) requirements.

Investment Incentives

Preferential status (offshore, free trade zone) is usually linked to percentage of foreign corporate ownership, percentage production for the domestic market, and investment location. The Tunisian Investment Code and subsequent amendments provide investors with a broad range of incentives. With the ongoing review of the Investment Code, changes to incentives are expected.

To incentivize the employment of new college graduates, the Tunisian government assumes the employer's portion of social security costs (16 percent of salary) for the first seven years of the investment with an extension of up to 10 years for investments in the interior regions. Investments with high job creation potential may benefit from purchase of state-owned land for a very small payment (one TND per square meter, which is less than USD 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.

Further benefits are available for offshore investments, such as 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, semi-finished goods, and services necessary for operation.

Foreign resident companies face restrictions related to the employment and compensation of expatriate employees. Currently, Tunisian law limits the number of expatriate employees 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 validity of expatriate work permits to two years. The GOT indicated it intends to have more flexible rules in place in the new Investment Code.

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 2015 report Doing Business, Tunisia’s overall ranking dropped to 60 out of 189, dropping 4 spots from the previous year.

Research and Development

There are no specific restrictions for foreign firms to participate in government-financed research and development programs.

Performance Requirements

Until recently, performance requirements were generally limited to investment in the petroleum sector. Now, such requirements are in force for private sector infrastructure projects in sectors such as 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).

Data Storage

The host government does not follow forced localization the policy in which foreign investors must use domestic content in goods or technology.

6. Right to Private Ownership and Establishment

Tunisia assures a right to private ownership and protection of property for both foreign and domestic investors. All investors are expected to comply with Tunisian law regarding labor, social security, health, consumer protection, environmental protection, etc. 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 is subject to limits on foreign equity shareholding (such as the services sector).

7. Protection of Property Rights

Real Property

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

Intellectual Property Rights

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 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. For products utilizing foreign trademarks registered at INNORPI, the Customs Code allows customs agents to operate throughout the entire country. Much smuggling of illegal items takes place through Tunisia’s porous borders. 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.

Resources for Rights Holders

- Aisha Y. Salem
Intellectual Property Attaché for the Middle East and North Africa
U.S. Embassy Kuwait City, Kuwait
U.S. Department of Commerce Global Markets
U.S. Patent and Trademark Office
Tel: +965 2259 1455
Aisha.Salem@trade.gov

- AmCham Tunisia
http://www.amchamtunisia.org.tn/

- Attorneys list
http://tunisia.usembassy.gov/attorney-list.html

8. Transparency of the Regulatory System

While the GOT has adopted policies designed to promote foreign investment, aspects of existing tax and labor laws are impediments to efficient business operations. 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.

Tunisia is a member of the Open Government Partnership, which is a multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance.
http://www.opengovpartnership.org/country/tunisia

9. Efficient Capital Markets and Portfolio Investment

Tunisia's financial system is dominated by its banking sector with banks accounting for roughly 90 percent of financing in Tunisia. Over-reliance on bank financing impedes faster economic growth and stronger job creation. Equity capitalization is relatively small; Tunisia's stock market provides 6-7 percent of corporate financing. Other mechanisms such as bonds and microfinance contribute marginally to the overall economy.

Created in 1969, the Bourse de Tunis is the country's second largest financing institution after banks. As of April 20, 2015 the stock exchange listed 78 companies; capitalization of these companies was valued at USD 10 billion, about 12 percent of Tunisia's GDP. During the last five years, the exchange's regulatory and accounting systems have been brought more in line with international standards, including compliance and investor protections. The exchange is supervised and regulated by the state-run Capital Market Board. Most major global accounting firms are represented in Tunisia. Firms listed on the stock exchange must publish semiannual corporate reports audited by a certified public accountant. Accompanying accounting requirements exceed what many Tunisian firms can, or are willing to, undertake. GOT tax incentives attempt to encourage companies to list on the stock exchange. Newly listed companies that offer 30 percent capital share to the public receive a five-year tax reduction on profits. In addition, individual investors receive tax deductions for equity investment in the market. Capital gains are tax free when held by the investor for two years.

Foreign investors are permitted to purchase shares in resident (onshore) firms only through authorized Tunisian brokers or through established mutual funds. To trade, non-resident (offshore) brokers require a Tunisian intermediary and may only service non-Tunisian customers. Tunisian brokerage firms may have foreign participation, as long as that participation is less than 50 percent. Foreign investment of up to 50 percent of a listed firm's capital does not require authorization.

Money and Banking System, Hostile Takeovers

Tunisia hosts 31 banks; of which 20 conduct both commercial and investment services. Two are Islamic universal banks, seven are offshore, and two are business banks. After the fall of the former regime, companies, banks, and real estate that belonged to ousted President Ben Ali's family were brought under GOT receivership.

Private credit stands at 65 percent of GDP in Tunisia. According to the World Bank, this level lags behind economic peers such as Morocco and Jordan where the rate is 80 percent. 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 such as a weak domestic economy and the legacy of the previous regime. In particular, loan quality, solvency, and profitability have deteriorated. Weak underwriting practices contributed to inappropriate lending to well-connected borrowers. Tunisia's 20 onshore banks offer essentially identical services targeting the same segment of Tunisia's larger corporations. Meanwhile, small and medium enterprises (SMEs) and individuals often have difficulty accessing bank capital 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. These non-interest costs may include collateral requirements that 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 high as banks face regulatory difficulties in collecting collateral, thereby adding to costs. Nonperforming loans (NPLs) increased to 16 percent in 2014.

The 2014 Revised Budget Law created the Asset Management Company (AMC) in August 2014 as a state-owned corporation with an initial capital of TND 150 million (USD 79 million). The AMC's objective is to buy non-performing assets in exchange for government-guaranteed bonds. A law and operational decrees are needed to make the AMC fully operational. According to the IMF, delays in setting up an AMC would jeopardize the cleanup of the banks' balance sheets, which affect their profitability and their capacity to lend and support growth. In Tunisia, 12 out of 22 banks have established individual AMCs as their subsidiaries to manage their NPLs. However, the length of the judicial proceedings, the obstacles to timely realization of collateral and the difficulty of reaching out-of-court settlements have lengthened the average time period for recovering assets to more than 10 years.

Beyond the banks and stock exchange, few effective financing mechanisms are available in the Tunisian economy. A true bond market does not exist. Government debt sold to financial institutions is not re-traded on a formal, transparent secondary market. Private equity remains a niche element in the Tunisian financial system. Firms experience 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.

The GOT established two categories of financial service providers: banking (e.g. deposits, loans, payments and exchange operations, acquisition of operating capital) and investment services (reception, transmission, order execution, and portfolio management.) Non-resident financial service providers must present initial minimum capital (fully paid up at subscription) of TND 25 million (USD 13 million) for a bank, TND 10 million (USD 5 million) for a non-bank financial institution, TND 7.5 million (USD 4 million) for an investment company, and TND 250,000 (USD 132,000) for a portfolio management company.

10. Competition from State-Owned Enterprises

State-owned enterprises (SOEs) are still prominent throughout the economy. Many compete with the private sector in industries such as telecom and insurance. They remain monopolies 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 also remain under SOE control.

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

OECD Guidelines on Corporate Governance of SOEs

Senior management officials of SOEs are appointed by the GOT and report to their respective ministries. The board of directors for each SOE is comprised of representatives from various ministries and public shareholders depending on the relevant sector. Like private companies, SOEs are required by law to publish independently audited annual reports, whether or not corporate capital is publicly traded on the stock market.

The GOT encourages SOEs to adhere to OECD Guidelines on Corporate Governance but adherence is not enforced. Investment banks and credit agencies tend to associate SOEs with the government and consider them having the same risk profile for lending purposes.

Sovereign Wealth Funds

By decree 85-2011, the GOT established a sovereign wealth fund – the Caisse des Depots et des Consignations (CDC) – in September 2011 to boost private sector investment. It is a state-owned investment entity created to independently manage a portion of the state's financial assets. The CDC became operational in early 2012. The original impetus for the creation of the CDC was to manage assets confiscated from the former ruling family as independently as possible in order to serve the public interest. The CDC was set up with support from the French CDC and the Moroccan CDG (Caisse de Depots et de Gestion). More information is available about the CDC at www.cdc.tn.

11. Corporate Social Responsibility

The GOT is favorably disposed to the concept of corporate social responsibility. However, the corporate social responsibility model is still a new concept among Tunisian companies. To date, the most successful campaigns focus on preserving the environment, energy conservation, and combating counterfeit pharmaceuticals.

OECD Guidelines for Multinational Enterprises

Tunisia has subscribed to OECD's Declaration and Decisions on International Investment and Multinational Enterprises since 2012. Tunisia National Contact Point (NCP) was formed in 2013 and is located at the Ministry of Development and International Cooperation. It is composed of government representatives, The Tunisian Agency for Promotion of Foreign Investment (FIPA), a trade union, and an employers' organization. Mr. Abdelmajid Mbarek, a director within the Ministry of Investment, Development, and International Cooperation, is Tunisia's Point of Contact for 2015. GOT conducted trainings for trade unions and foreign companies in May 2013 in order to encourage foreign and local companies to follow OECD's guidelines.

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 and spread to the capital. These protests, fueled by economic grievances, public resentment of corruption, and the lack of political freedom, spread and eventually forced former President Ben Ali 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 Joma'a Government of political independents. The country successfully held parliamentary and presidential elections at the end of 2014.

On March 18, a terrorist attack at the Bardo National Museum resulted in 21 killed, many of whom were tourists. Travelers are urged to visit www.travel.state.gov for the latest travel alerts and warnings regarding Tunisia.

13. Corruption

Tunisian and U.S. businesses with regional experience indicate 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 a score of 41 out of 100. Though the country's score remains unchanged since 2012, it's now ranked 77th worldwide, a two-spot decrease 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 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 regulations 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. These reports generally covered relatively low-level abuses, such as non-conforming labeling procedures and price or supply speculation.

Recent government efforts to combat corruption include: the seizure and privatization of assets belonging to Ben Ali's family members; assurances 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, a comprehensive law designed to regulate each phase of public procurement has governed the public sector. 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 that they do not participate in corrupt practices.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see 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, concealment, and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Anti-bribery 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. Tunisia is a party to the UN Convention.

The African Union Convention for Preventing and Combating Corruption was adopted in 2003 and is a comprehensive regional treaty criminalizing multiple facets of corruption and requiring signatory states to prevent, detect, punish and eradicate corruption and related offences in the public and private sector. It also lays out a framework for international cooperation and mutual legal assistance to effectively combat corruption and recover stolen assets. The Convention provides for a follow-up mechanism on progress made by each state party. (See http://au.int/en/content/african-union-convention-preventing-and-combating-corruption). Tunisia is a party to the AU Convention.

U.S. firms should familiarize themselves with local anticorruption laws and as appropriate retain the professional advice of local legal counsel. The U.S. Department of Commerce does not provide legal advice on local laws but can provide assistance in navigating the host country's legal system by referring companies to a list of local legal counsel.

Resources to Report Corruption

The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. 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.

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.

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 Bilateral Investment Treaty (BIT) between Tunisia and the United States entered into force in 1993. The United States and the GOT signed a Trade and Investment Framework Agreement (TIFA) in 2002. A TIFA meeting in June 2014 helped promote engagement and cooperative reform efforts.

Tunisia has concluded bilateral trade agreements with over 80 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 bilateral agreements with the Member States of the European Free Trade Association (EFTA), bilateral and multilateral agreements with Arab League members and Turkey.

In May 2012, Tunisia became an adherent to the OECD Declarations on International Investment and Multinational Enterprises; Propriety, Integrity and Transparency in International Business and Finance; and Green Growth. On March 27, 2013, the Tunisian National Constituent Assembly adopted the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

Bilateral Taxation Treaties

The 1985 Convention between the United States and the GOT for Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income guarantees U.S. firms protection from double taxation.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) has been active in the Tunisian market since 1963. OPIC provides political risk insurance and financing to U.S. companies. OPIC has 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. In 2015, OPIC signed credit guarantee facility agreements totaling USD 50 million with three Tunisian banks to increase access to capital for SMEs.

16. Labor

Tunisia has a highly literate labor force of approximately 3.9 million. The official 2014 unemployment rate was 15 percent; however, unemployment is estimated at 31 percent among recent university graduates. Official statistics do not count underemployment or provide disaggregated data by geography. Findings of a recent government census carried in 2014 showed that employment is highly distorted in favor of the coastal tourist regions: it is only 9 percent in the central-west regions, but 26 percent in southern and north-west Tunisia.

In order to keep the unemployment rate at current levels, 80,000 new jobs must be created each year. Over the past two decades, the structure of the workforce remained relatively stable (15.3 percent agriculture and fishing, 33.6 percent industrial, and 51 percent commerce and services). Tunisia has successfully developed its industrial sector and created low-skilled employment, but has been unable to absorb educated entrants into the job market.

The right of labor to organize is protected by law. Currently, three national labor confederations operate in Tunisia. 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 salaried 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 percent of the private sector labor force, regardless of whether individual companies are unionized.

A 6 percent private sector wage increase agreement was signed in June 2014. An emboldened labor movement has also increased its demands for private sector reforms. Labor unrest is still an issue: according to GOT official figures, the number of strikes increased from 399 in 2013 to 451 in 2014, which disrupted the activities of 206 companies (of which 173 were private and 33 were SOEs). The official national minimum monthly wage (based on 40 hour/week) in the industrial sector is TND 302.75 (USD 159.3) and TND 348.1 (USD 183.2) based on a 48 hour week. In May 2015, GOT and Labor Union (UGTT) reached a wage increase agreement in the public sector increasing civil servants wage by USD 25 per month and employees of public sector companies wage by USD35 per month.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

Tunisia has free trade zones in Bizerte and in Zarzis. While the land is state-owned, a private company manages the free trade zones. They 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 percent 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 percent of production. Each following year, the company may sell domestically up to 30 percent of the previous year's total volume of production, subject to local customs duties and taxes. Lease termination has not been a problem, and all companies that desired to depart the zone reportedly did so successfully.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2013	46,262	2013	46,990	www.worldbank.org/en/country

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)		NA	2013	370	http://bea.gov/international/factsheet/factsheet.cfm?Area=445
Host country's FDI in the United States ($M USD, stock positions)		NA	2013	-14	http://bea.gov/international/factsheet/factsheet.cfm?Area=445
Total inbound stock of FDI as % host GDP	2013	2.4%	2013	17%	

*National Institute for Statistics (INS)

Table 3: Sources and Destination of FDI

Foreign direct investment position data are unavailable for Tunisia.

Table 4: Sources of Portfolio Investment

Portfolio investment data are unavailable for Tunisia.

19. Contact for More Information

-Commercial Section
-U.S. Embassy Tunis, Les Berges du Lac
-Tel: +216 71 107 000
-Email: TunisCommercial@state.gov
-Web: http://tunisia.usembassy.gov/business.html