Tunisia

RISK & COMPLIANCE REPORT

DATE: January 2017

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Executive Summary - Tunisia	
Sanctions:	EU - Financial
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions Failed States Index (Political Issues)(Average Score) Offshore Finance Centre
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations Corruption Index (Transparency International & W.G.I.)) World Governance Indicators (Average Score)

Major Investment Areas:

Agriculture - products:

olives, olive oil, grain, tomatoes, citrus fruit, sugar beets, dates, almonds; beef, dairy products

Industries:

petroleum, mining (particularly phosphate and iron ore), tourism, textiles, footwear, agribusiness, beverages

Exports - commodities:

clothing, semi-finished goods and textiles, agricultural products, mechanical goods, phosphates and chemicals, hydrocarbons, electrical equipment

Exports - partners:

France 26.3%, Italy 16%, Germany 9.4%, Libya 7.9%, US 4.3% (2012)

Imports - commodities:

textiles, machinery and equipment, hydrocarbons, chemicals, foodstuffs

Imports - partners:

France 20.2%, Italy 16.9%, Germany 7.5%, China 6.1%, Spain 5.4% (2012)

Investment Restrictions:

The Tunisian Government actively encourages and places a priority on attracting foreign direct investment (FDI) in key industry sectors, such as call centres, electronics manufacturing, aerospace and aeronautics, automotive parts, and textile manufacturing. The government encourages export-oriented FDI and screens any potential FDI to minimize the impact of the investment on domestic competitors and employment.

The current Tunisian Investment Code divides potential investments into two categories:

- Offshore, in which foreign capital accounts for at least 66% of equity and at least 70% of production is destined for the export market (with some exceptions for the agricultural sector); and

- Onshore, in which foreign equity is limited to 49% in most non-industrial projects; onshore industrial investment can have up to 100% foreign equity.

Current legislation contains two major hurdles for potential FDI:

- Foreign investors are denied national treatment in the agriculture sector. Foreign ownership of agricultural land is prohibited, although land can be secured through long-term lease (up to 40 years). However, the government actively promotes foreign investment in agricultural export projects.
- For onshore companies outside the tourism sector, government authorization is required if the foreign capital share exceeds 49%, and can be difficult to obtain.

The offshore/onshore division is being examined as part of the planned revisions to the Investment Code.

Investment in manufacturing, agriculture, agribusiness, public works, and certain services requires only a simple declaration of intent to invest. Other sectors can require a series of Tunisian government authorizations.

FDI in certain state monopoly activities (electricity, water, postal services) can be carried out following establishment of a concession agreement and with certain restrictions on trade activities. With few exceptions, domestic trading can only be carried out by a company set up under Tunisian law, in which the majority of the share capital is held by Tunisians and management is Tunisian. An additional barrier to non-EU investment results from Tunisia's Association Agreement with the European Union. The EU is providing significant funding to Tunisia for major investment projects, but clauses in the agreement prohibit non-EU member countries from participation in many EU-funded projects.

Contents

Section 1 - Background

Rivalry between French and Italian interests in Tunisia culminated in a French invasion in 1881 and the creation of a protectorate. Agitation for independence in the decades following World War I was finally successful in getting the French to recognize Tunisia as an independent state in 1956. The country's first president, Habib BOURGUIBA, established a strict one-party state. He dominated the country for 31 years, repressing Islamic fundamentalism and establishing rights for women unmatched by any other Arab nation. In November 1987, BOURGUIBA was removed from office and replaced by Zine el Abidine BEN ALI in a bloodless coup. Street protests that began in Tunis in December 2010 over high unemployment, corruption, widespread poverty, and high food prices escalated in January 2011, culminating in rioting that led to hundreds of deaths. On 14 January 2011, the same day BEN ALI dismissed the government, he fled the country, and by late January 2011, a "national unity government" was formed. Elections for the new Constituent Assembly were held in late October 2011, and in December, it elected human rights activist Moncef MARZOUKI as interim president. The Assembly began drafting a new constitution in February 2012, and released a second working draft in December 2012. The interim government has proposed presidential and parliamentary elections be held in 2013.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Tunisia is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Tunisia was undertaken by the Financial Action Task Force (FATF) in 2016. According to that Evaluation, Tunisia was deemed Compliant for 9 and Largely Compliant for 9 of the FATF 40 + 9 Recommendations.

Key Findings from latest Mutual Evaluation Report (2016):

General Finding

After the fall of the political regime of former President Ben Ali, Tunisia was witness to a revolution in 2011 and a succession of provisional governments. Until the most recent presidential and legislative elections, held in late 2014, the Tunisian authorities gave priority to establishing new democratic institutions, restoring the rule of law, and preparing the new constitution. During this period the AMF/CFT arrangements, which had until then been fairly ineffective, began to operate more effectively, as shown by the increase in the number of suspicious transaction reports and the number of cases referred to the courts. However, numerous shortcomings remain in the area of technical compliance, and the effectiveness of the AML/CFT system remains low or moderate.

Risks and General Situation

The most serious threats (proceeds of corruption, terrorist financing and smuggling, and currency trafficking) have been identified and understood by the Tunisian authorities but the analysis of the weaknesses and vulnerabilities of the AML/CFT system in the context of a National Risk Assessment (NRA) has yet to be finalized.

Currently, the main threat to Tunisia has become terrorism and its financing. Since 2012, a number of terrorist attacks have been perpetrated on Tunisian soil, including three in 2015 for which the Islamic State took credit. The rising terrorist threat in Tunisia is also related to two radical movements: the group Ansar al-Shari'a in Tunisia (AAS-T) and the group Katiba Okba Ibn Nafaa, which has merged with Al Qaeda in the Islamic Maghreb (AQIM). Tunisia's vulnerability also results from the porousness of its borders, which facilitates trafficking in arms, drugs and contraband in transit from Libya or Algeria. Finally, many jihadist fighters wishing to support or join ISIS are going to Libya, on the southwest border with Tunisia, an extremely sensitive area from a security standpoint. The authorities estimate that between 2011 and 2014 several thousand Tunisians have gone to fight in Iraq, Libya and Syria as part of these terrorist organizations, particularly ISIS and Al Nosra. Several hundred of these fighters have now returned to Tunisia. Money transfer systems are used to finance this travel and, occasionally, the day-to-day expenses of the families of these fighters. As one source of financing for this travel, according to the authorities, is charitable associations financed abroad, they have taken specific measures to prosecute some of these associations and suspend their activities.

Corruption—a legacy of the authoritarian regime—remains a major risk. The capture of a significant percentage of the Tunisian economy by a clan close to those in power prior to 2011 has been described in a study by the Anti-Corruption Commission established by the new authorities. A World Bank Report, All in the Family, established that 20 percent of private sector profits were misused in this way. The change in regime has eliminated systematic capture by a single clan, and the assets of its members in Tunisia have been confiscated and are being managed by the State pending their liquidation or public sale. The many criminal cases launched are also indicative of a commitment to deter and penalize grand corruption. Nonetheless, political connivance, extraction of rents and privileges, regulatory abuse and cross-border smuggling, which reached exceptional heights under the Ben Ali regime, have not disappeared, as shown, for example, by the prosecution of a case of suspected money laundering of the proceeds of the corruption of a politically exposed person who served during the 2011-2014 period. Moreover, sources such as Transparency International and the World Bank have indicated a continued high risk of corruption since 2011. This analysis is corroborated by the team's interviews with the chair of the Anti-Corruption Commission. In this context, efforts must be stepped up to identify the beneficial owners of assets, transactions, companies and legal arrangements.

The financial sector essentially consists of the banking system, considering the limited development of the financial markets and insurance sector. Moreover, given the lack (until now) of exchange bureaus and nonbank money transfer systems, the banks play a major role in monitoring highrisk operations, such as transfers of funds and cash foreign exchange operations. Moreover, the informal share of the Tunisian economy results in tax losses amounting to D 1.2 billion (US$600 million) each year, including D 500 million (US$250 million) in customs duties, and promotes the circulation of foreign banknotes and coins.

Key findings

Tunisia must address the growth of the activities of several terrorist organizations (Ansar alShari'a, ISIS) on its territory. Investigations under way have identified typology elements related to the financing of these terrorist activities: offenses involving postal transfers or transfers to the families of persons who have died in combat and the provision of financial support to bring combatants to war zones. For example, in 2014, the National Counter-Terrorism Unit (UNECT) placed ten people in police custody in the context of a case involving an association suspected of dealings with a terrorist organization. Moreover, UNECT has referred several cases to the Office of the Public Prosecutor for the financing of travel expenses for combatants headed to Syria.

However, although criminal prosecutions are under way, the Tunisian authorities have not yet had any convictions for acts described as terrorist financing. The length of the investigations and judicial procedures, the lack of resources for the law enforcement authorities and the deficiencies in the legal regime in terms of special investigative techniques seem to be obstacles to rapid and efficient prosecutions.

The preventive measures continue to suffer from technical shortcomings and implementation problems continue. The mechanism currently in effect for the implementation of Resolution 1267 requires entities subject to the AML/CFT provisions to consult lists accessible on the Ministry of Finance website and to freeze the assets of listed persons. However, it does not, as required by the resolution, create a general prohibition applicable to all natural and legal persons on the provision of funds or economic resources to the persons included on list 1267. Moreover, the implementation and consultation of the U.N. lists seem insufficient in the case of some banks and nonexistent for non-bank financial institutions and DNFBPs. Under Resolution 1373, the freezing of the assets of designated persons or implementation of freezing measures adopted by other countries involves the issuance of an ordinance at the request of the Chief Justice of the Court of First Instance of Tunis in turn at the request of the Prosecutor General, for which a judicial proceeding must be opened. This system does not establish a general prohibition on providing economic resources to designated persons as required by the resolution and does not allow for immediate freezing. Moreover, no provision for the prevention of the financing of the proliferation of weapons of mass destruction has been introduced.

Use of associations for the financing of terrorism is a major concern for the Tunisian authorities and has led them to take measures to suspend the activities of 157 associations. The law has also introduced transparency measures to identify the persons in charge of the administration and management of associations and to ensure the integrity of incoming and outgoing funds through the publication of their financial statements. However, the weak number of officials in charge of monitoring the sector impedes adequate oversight of the activities of associations.

US Department of State Money Laundering assessment (INCSR)

Tunisia was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Tunisia is not considered a regional financial center. Tunisia has strict currency exchange controls, which authorities believe mitigate the risk of international money laundering. There is a low level of organized crime in Tunisia. The primary domestic criminal activities that generate laundered funds are clandestine immigration, trafficking in stolen vehicles, and narcotics. Weapons, narcotics, and suspect cash have been seized in many Tunisian cities, some of which are near the borders with Libya or Algeria. Reports of corruption and financial crimes have been increasing since the 2011 revolution. The smuggling of weapons and contraband through Tunisia is used to support terrorist groups, including al-Qaida in the

Islamic Maghreb. Tunisia is especially concerned about militants entering from adjacent Libya.

Money laundering occurs through the financial sector, especially through informal economic activity involving smuggled goods. Since Tunisia has strict currency controls, it is likely that underground remittance systems such as hawala are prevalent. Trade-based money laundering is also a concern. Throughout the region, invoice manipulation and customs fraud are often involved in hawala counter-valuation. Tunisia has two free trade zones, in Bizerte and Zarzis.
Tunisia has seven offshore banks, and the number of companies with foreign participation is 1,780, of which 1,105 are offshore international business companies (IBCs).

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:
"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES KYC covered entities: Banks, microfinance institutions, and financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metals, jewels, precious stones, or high-value goods; and managers of casinos

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 129: January – June, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks, microfinance institutions, and financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metals, jewels, precious stones, or high-value goods; and managers of casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Tunisia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Tunisia adopted a new law against terrorism and money laundering on August 7, 2015. The Government of Tunisia hopes the law's national commission to fight terrorism - a permanent joint commission uniting members of different ministries, the judiciary, and eventually members of civil society organizations - will allow for better cooperation among these different entities. The new law creates a unit of judges specialized in terrorism cases (article 38) and hands investigations to the Criminal Investigation Department of Tunis, rather than units at the governorate level (article 36), with the intent to avoid information being lost between different police units. Once the implementation decrees are finalized, the law also will expand the list of reportable suspicious transactions.

The Tunisian Financial Analysis Commission (CTAF), the financial intelligence unit, includes members representing the central bank, customs, police departments, and the judiciary. CTAF lacks analytical capacity due to a lack of analytical staff as well as lack of training for the staff already in place.

Under Tunisian law, all offshore financial institutions are held to the same regulatory standards as onshore financial institutions and undergo the same due diligence process. Offshore financial institutions are licensed only after the Central Bank investigates their references and the Ministry of Finance approves their applications. Anonymous directors are not allowed. IBCs are subject to all regulatory requirements, except for tax requirements and currency convertibility restrictions. Tunisia prohibits bearer financial instruments or shares, as well as anonymous and numbered accounts.

The Government of Tunisia should continue to implement and enhance its AML/CFT regime. Officials should collect and disseminate statistics, such as prosecutions and convictions, to assist in measuring progress. Tunisian authorities should examine, update where needed, and enforce existing regulations on hawala, mobile phone banking, and other money and value transfer systems operating in Tunisia. Authorities should build their capacity to recognize and investigate trade-based money laundering and value transfer, and should examine underground finance and its possible link to money laundering and extremist finance.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Tunisia does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

EU White list of Equivalent Jurisdictions

Tunisia is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Tunisia is considered to be an Offshore Financial Centre

Reports

US State Dept Narcotics Report

No report available

US State Dept Trafficking in Persons Report 2014 (introduction):

Tunisia is classified a Tier 2 (watch list) country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Tunisia is a source, destination, and possible transit country for men, women, and children subjected to forced labor and sex trafficking. According to a 2013 baseline study conducted by the Government of Tunisia in partnership with an international organization, Tunisian youth are subjected to various forms of trafficking, which appear to be consistent with previously reported patterns. Over the last several years, Tunisian girls, mainly from the northwest part of the country, are sent to work as domestic servants for wealthy families in Tunis and major coastal cities. Some child domestic workers experience restrictions on movement, physical and psychological violence, and sexual abuse. International organizations report an increased presence of street children and more rural children working to support their families in Tunisia since the 2011 revolution; according to the baseline study, these children are vulnerable to both forced labor and sex trafficking. Tunisian women have reportedly been forced into prostitution under false promises of work both within the country and elsewhere in the region, such as Lebanon, the United Arab Emirates (UAE), and Jordan, while Tunisian girls, primarily 15 to 18 years old, are exploited in prostitution in the coastal cities of Sousse and Sfax. Women from west and east Africa may be subjected to forced labor as domestic workers. Migrants who flee unrest in neighboring countries to Tunisia continue to be vulnerable to trafficking in Tunisia. Security officials report that organized gangs recruit street children to serve as thieves and beggars and to transport drugs.

The Government of Tunisia does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Although prior commitments to enact draft anti-trafficking legislation remained unfulfilled, the government prosecuted and convicted an increased number of trafficking offenders using existing trafficking-related laws. It instituted formal victim identification procedures and developed a victim referral mechanism, although this mechanism was not utilized during the reporting period. The government also conducted a baseline study of trafficking in Tunisia in coordination with an international organization and continued implementing public awareness campaigns. Nonetheless, the government did not report identifying any trafficking victims among vulnerable groups, including women in prostitution, vulnerable children, foreign migrants, and repatriated Tunisian nationals, nor did it provide specialized protection services for trafficking victims, as distinct from other vulnerable groups.

US State Dept Terrorism Report 2015

Overview: The Tunisian government has expanded its counterterrorism efforts since 2013, and further increased these efforts in 2015 after three high-profile attacks in March, June, and November perpetrated by Islamic State of Iraq and the Levant (ISIL)-inspired attackers. Additionally, al-Qa'ida in the Islamic Maghreb (AQIM)-aligned Okba Ibn Nafaa Brigade continued small scale attacks against security personnel and, for the first time, against civilian targets. Tunisia reached out to the international community, particularly to the United States as its prime security partner, to seek support in transforming its security apparatus into fully professional and competent counterterrorism forces. U.S. security support to Tunisia grew in 2015, but Tunisia needs more time and international support to complete the overhaul of its military and civilian security forces. The new government was seated in February and brought together four of the leading parliamentary blocs, including broadly secularist Nida Tounes and Islamist Nahda. The government has made counterterrorism a top priority.

The new government officially joined the Global Coalition to Counter ISIL at the UN General Assembly in September and announced that it would serve as a pilot country for the International Counterterrorism and Countering Violent Extremism Capacity-Building Mechanism (ICCM). Tunisia became a U.S. major non-NATO ally in 2015. Parliament passed a new counterterrorism law in July, which modernized the legislative framework for the prosecution and investigation of terrorism and implemented UN Security Council Resolution (UNSCR) 2178. Domestically, a National Counterterrorism Strategy was reportedly at its final stages of development in December. The strategy takes a comprehensive approach to the fight against terrorism along four pillars: prevention, protection, follow-up, and response. The military and civilian security forces continued to make counterterrorism their first priority, leading to the dismantlement of several terrorist cells and the disruption of a number of plots.

Terrorism remained a serious challenge for Tunisia that included the potential for terrorist attacks and the influx of arms and violent extremists from neighboring countries. The government grappled to adapt to terrorist threats that morphed in nature during the year, and focused on terrorist groups, such as Ansar al-Shari'a in Tunisia (AAS-T) and AQIM. In 2015, AQIM continued its activities in the western mountainous regions of the country, where it attacked security forces and targeted civilians for the first time.

Continuing instability in Libya led to the expansion of violent extremist groups, including ISIL, requiring the Tunisian government to increase its focus on its border with Libya and to adapt to terrorist tactics that targeted foreign civilians and urban areas. The disproportionate numbers of Tunisians traveling to fight in Syria and Iraq – and the potential for the return of these fighters – was another cause for concern. The Tunisian Ministry of Interior asserted that 3,200 Tunisians have gone abroad to participate in violent extremist activities. Senior Tunisian government officials have said approximately 700 women have gone abroad to join extremists causes as well.

Tunisia has been active in countering terrorist threats. The government has put considerable efforts into stemming the flow of fighters to Syria and Iraq. Government numbers indicated that 700 returnees from Syria and Iraq are in prison or under house arrest.

2015 Terrorist Incidents: Terrorist organizations, including ISIL, AQIM, and AAS-T, were active in Tunisia throughout the year. The list of incidents below highlights some of the most significant terrorist attacks.

- On February 17, four National Guard service members on patrol died in a terrorist attack in Boulaaba, close to Mount Chaambi. The terrorists fled with service members' weapons. AQIM-affiliated Okba Ibn Nafaa Brigade claimed responsibility for the attack.

- On March 18, two terrorists attacked the Bardo museum, killing 21 foreign tourists and a Tunisian security official, and injuring more than 40 civilians. The perpetrators and a member of Tunisia's Antiterrorism Brigade (BAT) died in the response operations. ISIL-inspired attackers claimed responsibility for the attack. The perpetrators had been trained in Libya.

- On June 26, a lone terrorist opened fire on tourists at two resort hotels in Sousse. Thirty-nine tourists, mostly British, died in the attack. Tunisian security forces killed the terrorist, who was trained in Libya. ISIL-inspired individuals claimed responsibility for the attack.

- On November 24, a terrorist killed 12 Presidential Guard members in a suicide attack on their bus in downtown Tunis. ISIL claimed responsibility.

Legislation, Law Enforcement, and Border Security: Parliament passed a new counterterrorism law in July, replacing the 2003 law as the primary legal framework for dealing with terrorism offenses. The law modernizes Tunisia's security legislation and strikes a better balance between the protection of human rights and fighting terrorism, and implements obligations under UNSCRs 2178 and the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime. It also enjoys greater legitimacy compared to the 2003 law, which prosecutors were reluctant to invoke since the 2011 revolution, as many in Tunisian society believed the legislation was an instrument of political repression by the previous regime. Parliament approved the bill 174-0, with 10 abstentions.

The Ministry of Interior (MOI) and the Ministry of Defense (MOD) share responsibility for detecting, deterring, and preventing acts of terrorism in Tunisia. The military's role in counterterrorism has gradually increased. The MOD leads Tunisia's security efforts in "military exclusion zones" in mountainous areas close to the Algerian border, a buffer zone along portions of the border with Libya, and in the southern tip of the country.

The MOI is the lead counterterrorism agency in the rest of the country. In particular, BAT and the National Guard Special Unit – elite units under the Ministry's National Police and National Guard, respectively – take the lead for counterterrorism operations. The National Unit for the Investigation of Terrorist Crimes leads investigations and liaises with the judicial system on prosecutions. With assistance from the Department of State and the Federal Bureau of Investigation, the Counterterrorism Fusion Center became operational this year, acting as a clearinghouse for information for Tunisia's security services.

Security forces were generally more effective in 2015 compared to the previous year, particularly in their response to de-escalating the threat of urban protests. The government's counterterrorism efforts have intensified, with successes including weapons seizures, arrests, and operations against armed groups throughout the country. At the tactical level, MOI and

MOD forces worked together in some locations, coordinating their efforts in Joint Task Forces established in the military exclusion zones. Tunisian security forces expanded their counterterrorism operations throughout the country. The Bardo and Sousse attacks, and especially the suicide attack on a Presidential Guard bus, were followed by hundreds of raids and arrests.

Tunisia has an Automated Fingerprint Identification System (AFIS) and maintains fingerprint records for identification cards, criminal records, and latent prints. Tunisia currently has only one AFIS system, and it is not known if the records can be shared with other government agencies via automated responses. Tunisia also maintains a DNA database and has expressed an interest in becoming a Combined DNA Index System member. Tunisia does not currently share its biometric data with any countries. The Tunisian government has undertaken a sweeping overhaul of its civilian border security arrangements and plans to implement the reforms in phases starting in early 2016.

Continuing instability in Libya increasingly alarmed Tunisian authorities as a growing number of terrorist incidents were linked to violent extremists in Libya. Border security remained a priority in 2015, and Tunisian authorities collaborated with their Algerian counterparts to stem the flow of weapons and insurgents across their common borders and across their borders with Libya. Tunisia repeatedly publicly expressed satisfaction with its cooperation with Algeria. The Ministry of Defense took the lead in constructing a series of berms and trenches along more than 220 kilometers of the border with Libya in order to stem the flow of arms, terrorists, and contraband between the two countries. It has asked for and received support from Germany and the United States to install electronic surveillance equipment to augment the new barrier.

The year saw a significant number of arrests and raids by security forces. Then-Deputy Minister of Interior Rafik Chelly told the media October 27 that during the first 10 months of the year, 1,800 suspects had been brought to court on terrorism charges, 450 of whom were accused of recruiting Tunisian youth to join extremists in Syria and Iraq. The courts handed down a 36-year prison verdict against a Tunisian who had fought in Syria, the first verdict of its kind in Tunisia.

Other significant law enforcement actions and arrests related to counterterrorism included:

- On February 4, the police killed Kamel Gadhgadhi, alleged murderer of politician Chokri Belaid, and six other suspected terrorists in a house raid in a suburb of Tunis. Clashes between suspected terrorists and security forces lasted nearly 20 hours and resulted in the death of a National Guard member. The police and army seized weapons, ammunition, explosives, mobile phones, and military uniforms.

- On February 7, security forces arrested 32 violent extremist suspects presumably directly linked to the Okba Ibn Nafaa Brigade, some of whom were returning from conflict zones abroad. They were believed to be plotting terrorist attacks against security installations around the country, including on the Ministry of Interior headquarters in the capital.

- On March 28, eight members of Okba Ibn Nafaa Brigade, including one of its key leaders, Lokman Abou Sakhr, died in an ambush as National Guard special operations forces attempted to apprehend them. Abou Sakhr was one of the most wanted terrorists in Tunisia.

- In the run up to the July 25 Republic Day celebrations, Ministry of Interior forces thwarted a planned terrorist attack in Bizerte.
- On November 17, authorities arrested a cell of 17 violent Islamist extremists and prevented a planned assault on hotels and security forces in the resort town of Sousse. The Ministry of Interior said some of the terrorists had been trained in Libya and Syria and were awaiting orders to carry out the assault. The authorities seized Kalashnikov rifles, explosives, and a bomb belt.

The Tunis Court of Appeals delivered on February 17 the final verdict in the case of the September 2012 attack on the U.S. Embassy in Tunis. It increased the sentences for 14 of the 20 convicted of complicity in the attack by lower courts and transformed all 20 sentences from suspended to firm sentences. Only six of the convicts, however, were in government custody.

Tunisia continued to participate in the Department of State's Antiterrorism Assistance (ATA) program. Ministry of Interior officials received ATA training in the areas of tactical crisis response, counterterrorism investigations, and command and control. Tactical units were granted specific tactical and enabling equipment. Department of State International Narcotics and Law Enforcement programs supported leadership development, police reform, prison reform, hostage rescue, crowd control management, and other training and support for the Ministries of Interior and Justice. They were also provided vehicles, body armor, computers, and other equipment to enhance internal and border security. Leadership development included travel for police and corrections professionals to the United States to meet U.S. law enforcement counterparts. The Tunisian Armed Forces consider counterterrorism and border security their principal mission and have successfully employed U.S.-funded patrol craft, vehicles, weapons, and training in border security and counterterrorism operations.

Countering the Financing of Terrorism: Tunisia is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force-style regional body. Its financial intelligence unit, the Tunisian Financial Analysis Committee (CTAF), is a member of the Egmont Group. Tunisia's strict currency controls might have pushed some transnational money movements, such as remittances, to the informal sector, making them difficult to trace. Trade-based money laundering was also a concern. Throughout the region, invoice manipulation and customs fraud were often involved in the process of *hawala* financial reconciliations. The CTAF is headed by the Central Bank Governor and includes representatives from a range of other agencies. It has worked effectively over the last year to gather important regulatory information to improve its efforts to combat money laundering and terrorism financing. The penal code provides for the seizure of assets and property tied to narcotics trafficking and terrorist activities. Tunisia freezes and confiscates assets, but the timeframe for taking action varies depending on the case.

Countering Violent Extremism: Tunisia made a concerted effort to improve socioeconomic conditions in the country through economic development and education programs to help prevent radicalization. The government also attempted to prevent the radicalization of

Tunisians by minimizing their exposure to inflammatory rhetoric in mosques by replacing imams deemed extremist, although local populations in several cases resisted the changes. The National Counterterrorism Strategy reportedly expanded the fight against terrorism to all ministries, including those that focus on culture, education, media, and religious affairs, and assigned each ministry concrete actions to accomplish. The new counterterrorism law established the Counterterrorism Commission under the prime ministry, which includes representatives of all ministries and members of the judiciary. The Ministry of Foreign Affairs is the lead ministry for developing a counter extremist messaging capacity. The Ministry of Communications is also involved in developing the plan.

International and Regional Cooperation: Tunisia participates in multinational and regional efforts to counter terrorism, such as those at the UN, the Arab League, the Global Counterterrorism Forum (GCTF), and the AU. It is a founding member of the GCTF-inspired International Institute for Justice and the Rule of Law (IIJ) and participated in numerous IIJ trainings and workshops, which were focused on improving criminal justice actors' capacity to prevent and address terrorism-related crimes.

Tunisia is an active member of the Trans-Sahara Counterterrorism Partnership, a U.S. multi-year interagency regional program aimed at building the capacity of governments in the Maghreb and Sahel to confront the threats posed by violent extremists. Tunisia is also part of the Security Governance Initiative announced by President Obama in 2014. Tunisian authorities intensified their coordination on border security with Algerian counterparts over this past year, although cooperation with Libya was nearly impossible due to the absence of an effective Libyan central government. Algeria's cooperation with Tunisia on counterterrorism is particularly robust: an agreement between the two countries established military-to-military communications and a coordination committee to improve information sharing related to counterterrorism activities.

International Sanctions

EU Sanctions

In 2011, the European Union imposed restrictive measures directed against certain persons, entities and bodies in view of the situation in Tunisia, specifically those responsible for the misappropriation of Tunisian State funds.

Current EU regulations

- 26.11.2012 - Council Regulation (EU) No 1100/2012 Provides clarification in respect of the sharing of information received by Member States to assist in the recovery of misappropriated assets and updated the exemptions in relation to prior contracts and prior judicial liens and judgments.
- 4.02.2011 Council Regulation (EU) No 101/2011 Provided for restrictive measures on certain persons, entities and bodies responsible for the misappropriation of Tunisian State funds.

The Arab League

The Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

* Cutting off transactions with the Syrian central bank

* Halting funding by Arab governments for projects in Syria

* A ban on senior Syrian officials travelling to other Arab countries

* A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League has also boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	41
World Governance Indicator – Control of Corruption	55

US State Department

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.

Corruption and Government Transparency - Report by Global Security

Political Climate

The desperation of the people in Tunisia culminated when a young man, selling vegetables on the street for a living, was humiliated and had his cart confiscated by a police officer. This act led the young Mohamed Bou Azizi to set himself aflame in front of the local municipality on 17 December 2010. The event started a string of demonstrations in Tunisia with thousands of protesters taking to the streets to protest against high unemployment, political oppression and endemic corruption. On 4 January 2011, Tunisians voiced their discontent with the state of corruption that has permeated all levels of government. As the protests continued, President Ben Ali and his family were forced into exile in Saudi Arabia, ending his 23 year single-party reign. Mr Ben Ali and his wife were each sentenced to 35 years in prison in absentia, after having been found guilty of embezzlement and misappropriation of public funds. In addition, more than 30 family members of Mr Ben Ali and his wife were arrested; some were charged with economic crimes and abuse of power. According to a December 2012 article by Tunisia live, the sale of Mr Ben Ali's and his family's confiscated property has already generated USD 478 million and the items to be sold are expected to generate more than USD 30 million, much of which will help contribute to Tunisia's economic recovery. In fact, the Global Financial Integrity estimate, as cited in a 2011 press release by Financial Integrity and Economic Development indicates that Tunisia lost more than USD 1 billion per year between 2000 and 2008 due to corruption, bribery, kickbacks, trade mispricing and criminal activities.

In October 2011, the Ennahda Party, a moderate Islamic political party, won the majority of votes and thus, has a majority in the National Constituent Assembly (NCA). In December 2011, the Assembly adopted a provisional constitution and elected Moncef Marzouki of the Congress of the Republic Party, a centre-left secular party, as the President of the Republic. Nevertheless, two political assassinations in 2013 and disillusionment with the government spurred another wave of protests demanding the ouster of the Ennahda Party and the dissolution of the NCA. In an attempt to calm the demonstrators, the government announced that general elections would take place in December 2013 and that the long-awaited constitution is being finalised, as reported in a July 2013 article by Naharnet. However, on a more positive note, an anti-corruption initiative flourished in December 2012 when the NCA presented the National Anti-Corruption Strategy, which is based on four main elements: the establishment of a national system of integrity, the promotion of the independent National Anti-Corruption Authority, boosting the participation of civil society and the training of specialised journalists. Nevertheless, an April 2012 article by ANSAmed reveals that suspicion towards the new government's efforts is gaining among Tunisians, as corruption and nepotism are still widespread in the country. In June 2012, the country's administrative reform minister, the minister in charge of rooting out corruption, resigned. He stated, according to a July 2012 Financial Times article, that the government failed to give him adequate resources to do his job. The same view is also reflected in public opinion. According to Transparency International's Global Corruption Barometer 2013, 57% of the surveyed believe that the government is ineffective in fighting corruption, while only 11% believe that it is effective. Furthermore, 61% of the surveyed believe that corruption has increased a lot in Tunisia over the past three years.

According to the Bertelsmann Foundation 2012, corruption is perceived as significant, despite it being considered less pervasive when compared to the neighbouring countries. Furthermore, despite the efforts of the interim government to crackdown on corruption, efforts are still considered to be limited. For instance, government officials are not required to disclose their income or assets, as reported by the US Department of State 2012. Corrupt practices have also been detected within the government. According to a January 2013 article published by AlMasdar, a Tunisian journalist recently accused Foreign Minister Rafik Abdessalam of wasting and squandering public money. The journalist unveiled that a secret transfer of USD 1 million took place from China and into a private account of the Foreign Ministry. The government lawyer denied any suspiciousness involving the payment, claiming that the sum was a gift from China and a contribution to the China-Arab meeting, which took place in May 2012. The Secretary of State confirmed the existence of the payment and demanded the transfer of the money to the treasury, as the law requires the transfer of all funds and donations from abroad to the state budget. Nevertheless, the article notes that critics have demanded an investigation into the legitimacy of the Foreign Ministry's private bank account, as well as a detailed inspection of the USD 1 million payment.

Business and Corruption

In general, the Government of Tunisia encourages and places a priority on attracting foreign direct investment (FDI), especially in relation to its key industry sectors, such as electronics, aerospace and textile manufacturing, as reported by the US Department of State 2013. According to the Bertelsmann Foundation 2012, while private enterprises, or more specifically, private groups owned by influential families, have come to form the backbone of the economy, state-owned enterprises continue to enjoy a de facto privileged position, mainly because they have close ties to the political sphere and the administration, as well as easier access to credit. According to a Bloomberg Businessweek 2011 news article, the family allegedly controlled half of the business community in Tunisia. One June 2008 cable, cited in a Business Insider's 2011 article, claims that 'Tunisian business people joke that the most important relationship you can have is with your banker, reflecting the importance of personal connections, rather than a solid business plan in securing financing'.

The financial sector in Tunisia is rife with serious allegations of corruption and financial mismanagement, as reported in a June 2011 article by Global Security. Nevertheless, the US Department of State 2013 reports that corruption is not identified as a primary source of concern for investors in Tunisia. Corruption involving routine procedures for doing business does exist but does not impose significant barriers to doing business. This is also supported by the World Economic Forum's Global Competitiveness Report 2013-2014. According to the report, business executives rank corruption as the tenth most problematic factor for doing business in Tunisia, while inefficient government bureaucracy, access to financing and government instability are ranked as the most constraining problems. Furthermore, the revolution that Tunisia witnessed in early 2011 left its mark on the economy as multiple strikes and protests have deterred foreign investors. According to a March 2012 article by The European Geopolitical Forum, foreign investments declined substantially in 2011 and 82 enterprises left the country that same year. A March 2012 article by Global Observatory also notes that the country's GDP has stagnated around zero growth, strikes and job actions have accounted for significant lost work days and the closure of many businesses and job losses.

The Global Competitiveness Report 2013-2014 reports that business executives demonstrate a relatively low degree of trust in government officials to make decisions objectively and not favour well-connected companies or individuals when deciding policies and contracts. Furthermore, according to the US Department of State 2013, some investors have claimed that unfair practices and corruption among prospective local partners have delayed or blocked specific investment proposals, or cronyism or influence peddling has changed some investment decisions. This is also supported by the Bertelsmann Foundation 2012, which notes that investors prioritise having the right connections or middlemen when collaborating on business in order to overcome administrative hurdles to investment or public procurement. Tunisia has a comprehensive law specialised in regulating each stage of public procurement, and it has established the Commission Supérieure des Marchés (CSM; Higher Market Commission) to oversee tenders and major contracts. Nevertheless, companies are still recommended to use a specialised Public Procurement Due Diligence Tool in order to mitigate corruption risks involving procurement in Tunisia. Moreover, companies are generally recommended to develop, implement and strengthen integrity systems and to conduct extensive due diligence on business agents and other intermediaries.

Regulatory Environment

The Government of Tunisia has adopted policies designed to promote foreign investment and to attract foreign investors, while at the same time continuing to enact legislation and implement protectionist measures to protect local industry, as reported in the US Department of State 2012. However, the 2011 revolution did affect the flow of investments in Tunisia, and the restoration of the Tunisian economy represents a huge challenge for the newly elected government. A March 2012 article published by the European Geopolitical Forum reports that the current government should focus on tackling the economic obstacles such as anarchy, smuggling and tax evasion. According to the World Bank & IFC's Doing Business 2013, Tunisia performs relatively well in relation to the ease of doing business. Starting a company now requires 10 procedures and takes an average of 11 days at a cost of 4.1% of income per capita, which is cheaper than the regional average of almost 30%. Despite such improvements, the US Department of State 2013 pointed out that some bureaucratic procedures remain cumbersome and time-consuming, particularly in regard to foreign employee work permits, commercial operating licence renewals, infrastructure-related services and customs clearance for imported goods.

According to Freedom House 2012, the National Constituent Assembly (NCA) is committed to a more transparent business sector. The transition government found that a large proportion of statistics and reports on the Tunisian economy were falsified and manipulated during the Ben Ali Administration. Today, the reports are released to the National Statistics Institute and to the Office of the Deputy Prime Minister for Anti-Corruption on a regular basis. Furthermore, the NCA established an economic committee in charge of investigating anti-competitive economic practices and corruption. The one-stop shop of the Agence de Promotion de l'Industrie (API; Industry Promotion Agency), located at API's head office in Tunis and at its regional offices in Sousse and Sfax, has representatives from a number of governmental authorities, such as the Ministry of the Interior and Customs. An online portal, Portail de l'Industrie Tunisienne (Tunisian Industry Portal), developed by the API contains comprehensive online information related to starting a company, such as investing ideas, business plans, a directory of industrial enterprises and industry sectors' monographs. In an attempt to attract foreign investment, 13 new industrial zones have been set up in Tunisia. The Industrial Land Agency is managing the zones and is looking for future sites where industrial centres can be established to meet the needs of foreign investors.

The legal system in Tunisia is based on the French Napoleonic Code and judicial independence is guaranteed under the Constitution. However, the judiciary has traditionally been subject to influence from the executive branch. According to the US Department of State 2013, there is no pattern of significant investment disputes or discrimination involving foreign investors. However, it is advised that all commercial contracts contain an arbitration clause detaling the handling of disputes and the applicable jurisdictions. Furthermore, the same report also states that commercial disputes involving foreign companies rarely take place, and in cases where disputes have occurred, foreign companies have generally been successful in seeking redress through the local judicial system. Business executives surveyed by the World Economic Forum's Global Competitiveness Report 2013-2014 rank the legal framework for private companies to settle disputes and challenge the legality of government actions and/or regulations, as relatively efficient. Tunisia is a member of the International Centre for Settlement of Investment Disputes (ICSID) and is a signatory to the New York Convention 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Access the Lexadin World Law Guide for a collection of legislation in Tunisia.

Section 3 - Economy

Tunisia's diverse, market-oriented economy has long been cited as a success story in Africa and the Middle East, but it faces an array of challenges during the country's ongoing political transition. Following an ill-fated experiment with socialist economic policies in the 1960s, Tunisia embarked on a successful strategy focused on bolstering exports, foreign investment, and tourism, all of which have become central to the country's economy. Key exports now include textiles and apparel, food products, petroleum products, chemicals, and phosphates, with about 80% of exports bound for Tunisia's main economic partner, the European Union. Tunisia's liberal strategy, coupled with investments in education and infrastructure, fueled decades of 4-5% annual GDP growth and improving living standards. Former President (1987-2011) Zine el Abidine BEN ALI continued these policies, but as his reign wore on cronyism and corruption stymied economic performance and unemployment rose among the country's growing ranks of university graduates. These grievances contributed to the January 2011 overthrow of BEN ALI, sending Tunisia's economy into a tailspin as tourism and investment declined sharply. During 2012 and 2013, the Tunisian Government's focus on the political transition led to a neglect of the economy that resulted in several downgrades of Tunisia's credit rating. As the economy recovers, Tunisia's government faces challenges reassuring businesses and investors, bringing budget and current account deficits under control, shoring up the country's financial system, bringing down high unemployment, and reducing economic disparities between the more developed coastal region and the impoverished interior.

Agriculture - products:

olives, olive oil, grain, tomatoes, citrus fruit, sugar beets, dates, almonds; beef, dairy products

Industries:

petroleum, mining (particularly phosphate and iron ore), tourism, textiles, footwear, agribusiness, beverages

Exports - commodities:

clothing, semi-finished goods and textiles, agricultural products, mechanical goods, phosphates and chemicals, hydrocarbons, electrical equipment

Exports - partners:

France 26.3%, Italy 16%, Germany 9.4%, Libya 7.9%, US 4.3% (2012)

Imports - commodities:

textiles, machinery and equipment, hydrocarbons, chemicals, foodstuffs

Imports - partners:

France 20.2%, Italy 16.9%, Germany 7.5%, China 6.1%, Spain 5.4% (2012)

Banking

The Tunisian banking sector is composed of a mixture of private and state-owned institutions offering varying types of financial instruments and services. Banks are strictly regulated by the Central Bank of Tunisia, which in recent years has increasingly insisted upon prudential norms for bank reserves and balance sheets, in compliance with international standards. The following banks Société Tunisienne de Banque (STB), Banque National Agricole (BNA), Banque de l'Habitat (BH), Banque International Arabe de Tunisie (BIAT), and Amen Bank (AB) account for about 70% of total banking assets and approximately 60% of banking system loans. All are implementing restructuring programs: key challenges they face include a continued reduction in non-performing loan ratios, implementation of tighter credit risk controls and enhanced recovery procedures, and upgrading seriously under-developed IT applications. In September 2010, former President Ben Ali ordered the Minister of Finance to launch a feasibility study of a merger between two important public banks, STB and BH. When fully implemented, the merger will give birth to the largest bank in Tunisia with a stock market capitalization of about 1.1 billion Tunisian Dinars.

Tunisian commitments under the WTO and the EU Association Agreement to begin liberalizing its banking sector should result in more stringent enforcement over the coming years.

Over the past ten years, the overall level of non-performing bank portfolios has been reduced from nearly 40% to about 15.1%. These rates are far higher than normal banking regulations would allow, but show continued progress in reducing the level of non-performing loans. Loan loss provisions continue to absorb a large part of pre-provision

Stock Exchange

The Tunis Stock Exchange was established in 1969. The Alternative Market, for small and medium-sized companies, was launched in December 2007.

Section 4 - Investment Climate

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

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.

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

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments]

Legal system:

mixed legal system of civil law, based on the French civil code, and Islamic law; some judicial review of legislative acts in the Supreme Court in joint session

International organization participation:

ABEDA, AfDB, AFESD, AMF, AMU, AU, BSEC (observer), CD, EBRD, FAO, G-11, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAS, MIGA, MONUSCO, NAM, OAPEC, OAS (observer), OIC, OIF, OPCW, OSCE (partner), UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Tunisia has strict currency exchange controls which authorities believe mitigate the risk of international money laundering.

Treaty and non-treaty withholding tax rates

Fees, royalties and non-trading activities compensation paid to non-resident When a treaty exists, apply the treaty rate if less than 15%	15%
Capital gains paid to non- resident When a treaty exists, apply the treaty rate if less than 20%	20%
Interests on loans paid to banks non established in Tunisia When a treaty exists, apply the treaty rate if less than 5%	5%
Invoice that exceeds 1000 DT (with State)	1.5%
Invoice that exceeds 2000 DT (with Private)	1.5%

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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