



Doing Business in Tunisia: 2013 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Tunisia

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Market Overview

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Tunisia is strategically located in the heart of the southern Mediterranean coast and is an ideal platform for business with Europe, North Africa, and Sub-Saharan Africa. It has the most diversified economy in the region and with a population of slightly over 10 million, it has one of the highest standards of living on the continent. The country does not have vast reserves of hydrocarbons like its neighbors Algeria and Libya, but historically has prospered under long-standing government policies to develop manufacturing, tourism, and agriculture. At the same time, social programs have limited population growth, provided a high standard of education, and ensured a quality standard of living for many Tunisians. On January 14, 2011, after nearly a month of protests, President Ben Ali fled Tunisia and a government was formed to manage Tunisia's transition to democracy. On October 23, 2011, Tunisia held historic free and transparent elections for a constituent assembly charged with drafting a new constitution, appointing a government, and preparing for elections of a new president and parliament. A government reshuffle in March 2013 included more technocrats in ministerial positions although the Islamist Nahda party continues to lead the three-party governing coalition. The slow pace of progress on the political transition, coupled with security challenges, has led to a risk-averse attitude from local and international investors looking to participate in the Tunisian economy. In parallel, lender confidence has been reduced by the downgrading of Tunisian debt to junk status by ratings agencies Moody's, Standard & Poor's, and Fitch during 2012 and 2013. The business climate has not changed dramatically over the course of 2012 and early 2013, but Tunisia may enact policy changes intended to attract more foreign investment and create jobs.

Tunisia's past policies have resulted in a skilled, low-cost workforce. The 22.9% national illiteracy rate is one of the lowest in North Africa and the Middle East. The International Monetary Fund (IMF) World Economic Outlook estimates the average annual income per capita to be \$ 4,152 and the GDP based on Purchasing Power Parity (PPP) per capita to be \$9,698.

The Tunisian economy, which maintained a steady average annual growth rate of about 4.5% between 2004 and 2009, grew by 3.6% in 2012 up from -1.9% in 2011, according to official Government of Tunisia (GOT) statistics. This recovery was due to growth in manufacturing (1.8% up from -4.2% in 2011) and merchant

services (5.3% up from -3.6%). In parallel, contraction affected non-manufacturing industries (-2.1% and -11.1% in 2011) and main export oriented manufacturing industries such as textiles and clothing (-3.8% down from -1.7%) and mechanical and electrical industry (-1.5% and -12.6%). Tourism revenues have increased by 30.4% and foreign direct investment (FDI) by 85.4%. Compared to 2010, tourism receipts decreased about 10% and FDIs increased 38.4%. The average inflation rate in 2012 was 5.6% and hard currency reserves were TND 12.7 billion (\$8.13 billion), a 20% increase compared to 2011 and a 2.32% decrease compared to 2010.

Manufacturing industries, producing largely for export, are the motor of Tunisia's economic growth and a major source of foreign currency revenue, accounting for about 70% of exports. Labor-intensive sectors such as textiles and the production of automobile components create much needed jobs. According to GOT statistics, in 2012, all sectors experienced higher employment except chemical industries (559 jobs down from 602 in 2011) and leather industries and shoes (972 jobs created down from 1,060 in 2011). In 2012, Tunisia's official average unemployment rate was 17.3%, much higher than the 13% levels reported by former President Ben Ali's regime. This change in the unemployment rate reflects current government policies for more transparency through accurate statistics. Textiles, mechanical and electrical equipment sales were the primary sources of foreign currency revenue in 2012, representing 22.3% and 36.6% of Tunisia's exports, respectively. The Tunisian export promotion agency, the Centre de Promotion des Exportations (CEPEX), is responsible for identifying new export markets in all sectors.

Tourism is the next largest source of foreign currency revenue. In 2012, 5.95 million tourists visited Tunisia, bringing in nearly \$2.03 billion in convertible currency. Compared to 2010, these figures have weakened, both in terms of income brought and the number of tourists, respectively 17.45% and 13.75%. Agriculture also plays a major role in the Tunisian economy and employs about 17.7% of the population. Agriculture accounts for nearly 9% of GDP and comprises 9.7% of exports. In 2012, Tunisia exported nearly \$1.65 billion of agricultural products, mainly olive oil, seafood, dates, and citrus. While Tunisia's agricultural exports increased 37.13% in comparison to 2010, they dropped 0.6% compared to 2011 due to a decrease in exports to Libya.

The government retains control over certain "strategic" sectors of the economy (finance, hydrocarbons, the national airline, electricity and gas distribution, and water resources), but the role of the private sector is increasing. The Government of Tunisia is currently studying the economic impact of liberalization of petroleum product price controls. Most of Tunisia's electricity is produced from natural gas (85%) and heavy fuel oil (15%). Electricity demand is growing 5.4% each year, and will reach about 32 billion KWH by 2030. The GOT announced in 2009 it would produce 900 MW of nuclear power by 2023 but in late 2011, officials reversed courses discounting nuclear energy as a potential source of energy for Tunisia, opting instead to focus on hydrocarbons and renewables. Tunisia is a signatory to the Treaty on the Non-Proliferation of Nuclear Weapons and a Comprehensive Safeguards Agreement with the International Atomic Energy Agency (IAEA). In September 2010, Tunisia and the U.S. signed a cooperation agreement for the safe and secure expansion of civil nuclear energy.

Although trade between Tunisia and the United States has been growing for the last decade, accessing the Tunisian market presents some challenges for U.S. companies. Geographically part of Africa but culturally more Mediterranean and Middle Eastern, this former French protectorate has extremely close ties with Europe. In 2012, 60.8% of Tunisia's foreign trade was with Europe. These ties have been reinforced by Tunisia's Association Agreement with the European Union (EU), which created a free trade zone for industrial products in January 2008. Tunisia is currently negotiating further agreements with the EU on services and agriculture and they signed a deep comprehensive free trade agreement in 2012.

Tunisia's other major trading partner is Libya. The fall of the Qadhafi government and security incidences disrupted trade temporarily during the course of 2011 but trade has resumed in 2012 to its last five years average of \$1.5 billion per year. In 2012, total trade between the two countries increased from TND 1.455 billion (\$1.015 billion) in 2010 to TND 1.786 billion (\$ 1.143 billion).

Tunisia is a founding member of the World Trade Organization (WTO) and is publicly committed to free trade and export-led growth. The government would like to expand trade and investment ties beyond Europe, but the European presence in the economy remains strong. The EU Association Agreement is backed by significant European funding to support the Tunisian economy through the transition period to an open market. So far, over 5,000 Tunisian companies have taken part in the "Mise à Niveau" program, a national program aimed to upgrade the industrial sector in order to make it more competitive. Tunisia's Association Agreement with the EU bars non-EU countries from certain major tenders receiving EU financing.

Tunisia has free trade agreements with Libya and Algeria. In addition, Tunisia is a member of the Arab Maghreb Union (UMA - Union du Maghreb Arabe), a political-economic grouping of Tunisia, Algeria, Morocco, Mauritania, and Libya. It is also a signatory to several bilateral and multilateral trade agreements, including the Agadir Agreement, which is a free trade area with Egypt, Jordan, and Morocco that creates a potential market of over 100 million people. Tunisia's commercial ties with the United Arab Emirates (UAE) have taken a leap forward since 2006 with the announcement of plans by several Dubai-based companies to invest some \$20 billion in real estate, tourism, and commerce in Tunisia over the next few years. However, the financial and economic crisis of 2008 and the Tunisian revolution in 2011 disrupted the FDIs annual flux that averaged \$750 million annually, two-thirds of which came from Europe. In 2012, FDI flows reached \$1.917 billion, registering an increase of 38.4% compared to 2010. U.S. FDI flows excluding energy reached \$7.36 million in 2012. In 2011, total U.S. FDI decreased, as Tunisia's largest U.S. investor (in the hydrocarbons sector) sold its shares in Tunisian operations to an Austrian company in late 2010.

In order to assist U.S. companies in gaining access to the Tunisian market, the United States signed a Trade and Investment Framework Agreement (TIFA) in October 2002 to formally discuss bilateral trade and investment issues. Follow on TIFA Councils were held in October 2003, June 2005, March 2008, and March 2012. The United States and Tunisia are also poised to begin

negotiations on an Open Skies Agreement, which would eventually lead to direct flights. Tunisia and the United States have signed a Bilateral Investment Treaty and a Non-Double Taxation Treaty.

For many years the United States was Tunisia's fourth leading goods supplier (after France, Italy and Germany) but dropped to 8th place in 2012. U.S. Department of Commerce trade statistics for 2012 show Tunisian imports from United States at \$593.9 million, about a 4% increase compared to 2010 (\$571.181 million), and Tunisian exports to the United States at \$737.9 million, a (82% increase compared to the same period in 2010, (\$405.464 million). This significant hike is primarily due to oil exported to the U.S. for refinery.

For years, most U.S. investment in Tunisia was primarily in the hydrocarbons sector, but U.S. companies now successfully invest in offshore manufacturing industries, textile production and electrical/mechanical equipment manufacturing. There are more than 80 U.S. companies resident in Tunisia. Offshore companies can be established under an attractive regime that offers significant tax incentives to export-oriented investors. In the tourism industry, only three of Tunisia's 800+ hotels are affiliated with U.S. groups. To date, total U.S. investment in Tunisia (energy included) is estimated at about \$1.3 billion and has contributed to the creation of more than 18,800 jobs.

Market Challenges

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There are two investment regimes in Tunisia: offshore and onshore. Offshore investments, in general, are for export-only goods and services and benefit from a series of tax breaks and other incentives. Onshore are those destined for the Tunisian market and generally have requirements to partner with a local Tunisian firm, with some exceptions (please see Chapter 6: Investment Climate Statement).

Doing business in Tunisia can be challenging for U.S. companies, which may perceive the Tunisian bureaucracy as cumbersome and slow, and may find that the regulatory environment lacks coherence and consistency. The decision-making process can be opaque and at odds with the government's official pro-business stance, which emphasizes transparency. However, with adequate planning and longer lead times, favorable results can be obtained.

Imports from the EU enjoy a considerable price advantage over other countries' products, as many EU products are now totally exempt from import duties. U.S. products generally enjoy widespread acceptance among consumers, although their perceived edge in quality and technology can be offset by the additional costs associated with their distribution by European intermediaries and the recent depreciation of the Tunisian Dinar against the Euro.

The EU and many European countries offer excellent financing terms for trade. Tunisian companies are familiar with these opportunities but are generally unfamiliar with financing opportunities available when purchasing U.S. goods. The U.S. Embassy in Tunis works closely with the Export-Import Bank (EX-IM),

the Overseas Private Investment Corporation (OPIC), and other U.S. organizations to promote awareness of U.S. financing sources. OPIC has announced a \$2 billion fund for Middle East and North Africa, and Tunisia was recently included in the African Diaspora Marketplace.

Despite difficulties, U.S. firms are able to successfully compete against better-established European companies and win significant Tunisian government contracts, especially in fields demanding cutting-edge U.S. technology. The U.S. Embassy in Tunis actively promotes these sectors as being the most attractive for U.S. companies.

U.S. exporters to Tunisia should be aware that Tunisian law prohibits the export of currency as payment for imports before documents are presented to the bank confirming that the merchandise has entered the country. This is usually in the form of Tunisian Customs documents. U.S. exporters have used confirmed, irrevocable letters of credit and letters of credit authorizing "payment against documents" in past transactions.

U.S. companies should also be extremely careful to verify with Tunisia's Central Bank (Banque Centrale de Tunisie) whether they are permitted to receive payment in foreign currency for services to customers resident in Tunisia. This issue has been the source of confusion and occasional difficulty for some U.S. companies in Tunisia.

Market Opportunities

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For U.S. companies, the best investment opportunities are in sectors that would benefit from U.S. technology (hydrocarbons, power generation, renewable energy, aeronautics, transportation, and telecommunications) or to a lesser extent, in the more labor-intensive offshore, export-oriented industries such as the manufacture of textiles and mechanical or electrical equipment. As democratic practices take root in Tunisia and economic policies are refocused toward development of southern, central, and western Tunisia, there may be opportunities in infrastructure and investment incentives tied to certain geographic locations.

Due to its moderate Mediterranean climate, Tunisia has a developed tourism industry, but niche travel is under-developed in areas away from the coasts. There are investment opportunities in tourism, including cultural or historical tours, golf packages, and desert tours. These opportunities may be limited until the sector rebounds, although the government has created a set of robust incentives for investment in this sector.

Agricultural opportunities for U.S. producers are available in bulk commodities, such as wheat, corn, and some intermediate products such as soybean meal and planting seeds. The U.S. market share, currently hovering around 10% of overall agricultural imports, has room for growth despite a price competitiveness gap with the EU caused by substantially higher freight costs and preferential access granted to the EU.

There is a sizable market for agricultural equipment in Tunisia. A government decision to privatize grain storage has created demand for grain silos and elevators. These represent good opportunities for U.S. suppliers.

There is a significant market for U.S. medical equipment in Tunisia. The government decision to upgrade hospitals and the increase in the number of private clinics has created a large demand for medical equipment.

There are also opportunities for U.S. franchisors to thrive since the Tunisian government adopted new laws in August 2009 and July 2010 to regulate domestic trade and franchises – a concept that until recently was only granted to businesses on a case-by-case basis. Excluding food franchises, other U.S. franchises are automatically allowed to operate in Tunisia and treated like any other foreign investment in the onshore sector. Food franchises are not prohibited from operating; rather, they require an additional authorization from the Government of Tunisia. Although not yet official, government officials have indicated there will be a full liberalization of this sector soon.

The Tunisian Government adopted a four-year Energy Conservation Program for the period 2008-2011 that aimed to reduce energy demand by 20% by 2011 and increase the share of renewable energies to reach 4% of electrical energy demand. Since the government did not meet its stated objectives by 2011 and in order to extend the renewable energies program beyond 2011, the Tunisian Government has adopted the Tunisian Solar Plan (TSP), which encompasses energy efficiency and renewable energy projects in line with the approach adopted by the Mediterranean Solar Plan. The TSP, which covers the period from 2010 to 2016, is made up of 40 projects in solar, wind, biomass, and energy efficiency with a total cost of 3.6 billion TND (\$2.7 billion). These projects present good opportunities for U.S. suppliers.

Market Entry Strategy

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A company planning to invest in offshore or export-oriented operations in Tunisia faces few obstacles. The Government of Tunisia's investment promotion authority has established a generous package of incentives for such operations. The government has also enacted a series of incentives similar to those for offshore enterprises for onshore investment in the interior, underserved regions of Tunisia.

Entering the domestic market, particularly in the services sector, is more difficult as the foreign company must have a 51% (majority) Tunisian partner in most sectors. Unless the company is working on a project actively solicited by the Tunisian government, or in some cases, closely associated with one of the country's well-connected business groups, the process can be fraught with obstacles. These requirements may ease up as the Tunisian Government looks at increasing foreign investment by amending the investment code. This revision will take place in 2012.

U.S. companies are strongly advised to obtain written confirmation from the Tunisian authorities of any exceptional conditions granted to a particular trade or investment operation.

The U.S. Embassy strongly encourages all U.S. companies to visit Tunisia prior to entering into a business relationship with a local partner.

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COUNTRY FACT SHEET: TUNISIA

PROFILE

Population in 2011 (Millions): 11
 Capital: Tunis
 Government: Republic

ECONOMY

| | 2009 | 2010 | 2011 |
|--|-------|-------|-------|
| Nominal GDP (Current Billions \$U.S.) | 43.5 | 44.3 | 46.0 |
| Nominal GDP Per Capita (Current \$US) | 4,171 | 4,199 | 4,317 |
| Real GDP Growth Rate (% change) | 3.1 | 3.1 | -1.8 |
| Real GDP Growth Rate Per Capita (% change) | 2.0 | 2.1 | -2.8 |
| Consumer Prices (% change) | 3.5 | 4.4 | 3.5 |
| Unemployment (% of labor force) | 13.3 | 13.0 | 18.9 |
| Economic Mix in 2011: 33.3% All Industries; 17.6% Manufactures; 58.3% Services; 8.3% Agriculture | | | |

FOREIGN MERCHANDISE TRADE (\$US Millions)

| | 2009 | 2010 | 2011 |
|-----------------------------------|--------|--------|--------|
| Tunisia Exports to World | 14,445 | 16,427 | 17,847 |
| Tunisia Imports from World | 19,096 | 22,215 | 23,952 |
| U.S. Exports to Tunisia | 501 | 571 | 588 |
| U.S. Imports from Tunisia | 326 | 405 | 352 |
| U.S. Trade Balance with Tunisia | 176 | 165 | 236 |
| Position in U.S. Trade: | | | |
| Rank of Tunisia in U.S. Exports | 88 | 89 | 94 |
| Rank of Tunisia in U.S. Imports | 94 | 92 | 106 |
| Tunisia Share (%) of U.S. Exports | 0.05 | 0.04 | 0.04 |
| Tunisia Share (%) of U.S. Imports | 0.02 | 0.02 | 0.02 |

Principal U.S. Exports to Tunisia in 2011:

1. Agricultural Products (28.4%)
2. Food & Kindred Products (24.5%)
3. Chemicals (10.3%)
4. Machinery, Except Electrical (6.9%)
5. Primary Metal Mfg (6.6%)

Principal U.S. Imports from Tunisia in 2011:

1. Apparel & Accessories (24.2%)
2. Food & Kindred Products (21.8%)
3. Machinery, Except Electrical (10.8%)
4. Petroleum & Coal Products (9.1%)
5. Chemicals (6.9%)

FOREIGN DIRECT INVESTMENT

| | 2009 | 2010 | 2011 |
|--|------|------|------|
| U.S. FDI in Tunisia (US \$Millions) | 196 | 240 | 104 |
| FDI in U.S. by Tunisia (US \$Millions) | | | |

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 50 of 185
 Heritage/WSJ 2012 Index of Freedom Rank: 95 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC, Census Bureau, Foreign Trade Division. Tunisia Trade with World from United Nations where available. National Macroeconomic data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

www.state.gov/r/pa/ei/bgn/5439.htm

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Using an Agent or Distributor

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Good local agents/distributors are crucial to introducing products into Tunisia. Their knowledge of the local market and local contacts can make the difference between success and failure. To assist U.S. firms in finding potential partners, the Embassy's Economic and Commercial Section, a U.S. Foreign Commercial Service Partner Post, provides the standard U.S. Department of Commerce services such as the International Company Profile (ICP), the International Partner Search (IPS), and the Gold Key Matching Service (GKS).

Many Tunisian businesses are family-owned or controlled. While they might welcome foreign investment in distributing or marketing ventures, they can be resistant to the idea of ceding any management control of existing enterprises to "outsiders." Distribution or marketing contracts should be very specific about financial obligations and performance measurements. U.S. firms should also consider establishing contracts to cover a probationary period for the prospective partner.

- Tunisian law generally favors the party seeking to maintain a commercial contract. This makes it difficult for foreign firms to change distributors or agents after entering into a contractual relationship.
- Tunisian commercial legislation contains provisions designed to protect minority shareholder interests, which can result in disproportionate influence given to Tunisian minority partners.

- U.S. companies should note that, with few exceptions, exclusive distribution contracts in Tunisia are forbidden by law.

Establishing an Office

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Establishing, or, more accurately, registering an office of a foreign company in Tunisia is relatively simple. The Foreign Investment Promotion Agency (FIPA) offers a "one stop shop" service to investors seeking to establish a business in Tunisia. Generally, it takes about two weeks to complete the process, although some investors have complained of delays, lack of transparency regarding rules and fees, and other bureaucratic complications. Companies should obtain the advice of a local lawyer before starting the process. The Embassy maintains a list of English-speaking attorneys.

- Establishing a company is only the initial step toward commencing operations in the Tunisian market, and firms may need to complete a wide range of regulatory, licensing, and logistical procedures before introducing their products or services to the market. This can be a long process, but the active involvement of FIPA can speed it up considerably.
- FIPA's simplified procedures are not applicable to all commercial activities. The following activities require prior approval from relevant government agencies: fisheries; tourism; transportation; communications; education and training; publishing and advertising; film production; health; real estate development; weapons and ammunition; machine-made carpets; waste treatment and recycling; and manufacture of wine, tobacco, and edible oils.

Franchising

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In August 2009, the Tunisian government passed legislation defining franchising for the first time. Before this law, franchises were approved to operate on a case-by-case basis. In June and July 2010, the Tunisian government issued ministerial decrees outlining contract provisions and publishing a sector list in which franchises would need no prior authorization to operate in Tunisia.

- Franchises on the sector list can automatically enter into a contractual agreement with a Tunisian franchisee without any additional authorization from the Government of Tunisia. The government has announced that royalty repatriation will be permitted by the Central Bank.
- Franchises not on the sector list must receive additional approval to operate. The requirement for approval does not mean it will be denied, but is an extra step the franchisee will have to take in order to bring a franchise to Tunisia. Government officials have indicated an interest in eliminating this requirement for food franchises and fully liberalizing the sector.
- The new law is understood to be a signal from the Tunisian government that franchises will have a space in this economy. It is set to encourage investment,

create additional jobs, and boost knowledge transfer. Many Tunisian business groups have already started looking for international franchises and are confident the market exists for franchises to thrive.

In conjunction with the adoption of the new franchising law, the Tunisian Franchise Association was created in November 2010. Also, the Tunis Chamber of Commerce and Industry (CCI), which is funded by the Ministry of Trade and Handicrafts, in partnership with the Mediterranean Chambers of Commerce and Industry (ASCAME), organizes an annual franchise show in Tunisia. The Tunis Med Franchise Show has drawn the attention of many Tunisian entrepreneurs from all sectors, as well as foreign franchisors.

Direct Marketing

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Direct marketing is still in its infancy. Tunisian business is largely dependent upon personal relationships. Customers increasingly expect access to after-sales service and are sometimes reluctant to purchase new products, technologies, or brand names in the absence of a local representative.

- Direct marketing is currently not an optimal way to introduce new products to Tunisia.

Joint Ventures/Licensing

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U.S. companies should be rigorous when selecting a partner and the Embassy strongly recommends that U.S. firms retain management control of any joint venture company. Joint venture agreements should also clearly establish a binding dispute settlement procedure (such as referring cases to the International Court of Arbitration) acceptable to both parties. Licensing agreements have also worked well, but may require periodic visits to ensure adherence to quality control and other standards.

- There are several examples of very successful U.S./Tunisian joint ventures, but due diligence prior to considering a joint venture is essential.

Selling to the Government

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The Tunisian Government makes the majority of its purchases from foreign suppliers through public international tenders. These tenders are available on the U.S. Embassy Tunis Business web page: <http://tunisia.usembassy.gov/business.html> published widely in the local media. In addition, the Embassy's Economic and Commercial Section reports best prospects to the U.S. Department of Commerce, which in turn informs prospective U.S. suppliers.

Tunisian legislation permits granting of certain contracts without recourse to public tender, and some companies have had success approaching the public sector with public private partnership (PPP) proposals.

Tunisia's Association Agreement with the EU bars non-EU companies from certain major tenders receiving EU financing. Tunisian government agencies tend to adhere to tender regulations and specifications.

U.S. bidders should not assume that potential customers are looking to the bidders to design solutions to a given problem. Tunisian government agencies typically arrive at desired solutions through pre-tender studies and then solicit specific equipment or services. Often, favorable financing terms trump other factors normally considered for tenders, such as type and proven reliability of a certain technology or history with the bidder.

Submitted bids that do not meet tender specifications, even if technically superior to the solicited proposal, usually will be disqualified. U.S. bidders interested in submitting proposals at variance with the tender specifications should do so only as a clearly identified alternative to their principal, fully conforming bid. They should further ensure that submission of an alternative bid does not disqualify the main offer.

The Tunisian Government has a reputation for lengthy negotiations, and U.S. firms are advised to allow for this in their initial bid. Performance bonds of between 1% and 10% are common on government contracts. The government will generally adhere as strictly to the specifications of the contract as it does to the tender specifications, and it will expect similar adherence from the contractor. Until January 2011, all bids for major contracts required technical review by the Commission Supérieure des Marchés, a quasi-independent contracting oversight office that reported to the Prime Minister. Now, Ministries have a certain degree of autonomy in selecting top bids, although the Commission still chooses tender winners. Some major contracts may also require approval by the newly-elected Constituent Assembly.

U.S. firms should be aware that many factors influence the government's evaluation of bids, including:

- Job creation
- Contribution to the local economy via investment in, or partnership with a Tunisian entity
- Transfer of skills or technology
- Long-term financial impact (cost, financing packages, impact on the balance of trade)
- Geographical location – investments serving underprivileged areas of Tunisia will likely be favored

While U.S. bids have typically been very competitive on price and technology, European firms usually benefit from stronger financing packages and links to the local economy.

Both U.S. and European companies are disadvantaged by generous financing programs offered by countries, such as China, that are not bound by OECD regulations.

In the past there were clear examples of a lack of transparency in the decision-making process in various types of tenders, especially in the power sector. However, there is no indication that they have been specifically aimed at disadvantaging U.S. companies.

Distribution and Sales Channels

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Tunisian law does not allow wholesale or retail marketing by foreign businesses. The Tunisian government restricts domestic market distribution to Tunisian nationals. Every joint venture with a foreign investor is considered an exception subject to a license dependent on the advantages of the project to the Tunisian economy.

- This process allowed the opening of several hypermarkets, set up under joint ventures, with France's Carrefour and Casino groups.

Legislation, designed to protect smaller businesses from such competition, limits the number of hypermarkets authorized in a specific area. Establishing hypermarkets is still subject to licensing. In December 2012, the Minister of Trade and Handicrafts announced the creation of a committee composed of representatives from various ministries to study new requests to open hypermarkets throughout the country. The Minister reported that commercial centers currently represent only 18% of total distribution channels and the Ministry's objective is to bring this rate to 50% by 2020.

Goods distribution in Tunisia is well organized. Goods typically enter Tunisia via one of the country's major sea ports (Tunis, Sousse, Sfax, and Bizerte) or the major freight center at Tunis Carthage Airport, which handles 97% of the country's air freight traffic. There are good road and rail networks nationwide for distribution to all parts of the country.

Selling Factors/Techniques

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Although the official language is Arabic, French is widely spoken, especially in business. Many Tunisians also speak English, Italian, or German.

- Business documentation should be in French.
- Fax remains the favored means of business communication, although larger Tunisian companies have turned to email for business dealings.

Electronic Commerce

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Tunisia lags in the use of e-commerce. Credit card operations and accounts have only recently appeared. However, Tunisian credit cards are **not** convertible to hard currency.

Thus, they cannot be used for purchases made on foreign commercial internet sites. Debit cards can be used for domestic internet payment for some services, including public utilities and university registration.

The Tunisian postal service operates an electronic payment system called the e-dinar. Customers establish an account and replenish it by purchasing credit at a post office. Many public services in Tunisia can be paid using e-dinars.

Tunisian bank customers use cash, debit cards or checks to make payment in stores, restaurants or for public services. In 2011 Tunisia had more than 2.4 million debit cards.

Trade Promotion and Advertising

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Many Tunisian companies are only now beginning to exploit advertising and trade promotion techniques. Although the sector is developing rapidly (around 5.6% growth in 2008, 2009, and 2010), it shrank by 22% in 2011 due to the political transition, but increased remarkably by 26.15% in 2012 with total investment in advertising estimated at \$117.5 million (according to a February 2013 survey.) There are a number of different marketing/advertising opportunities, including sporting event sponsorship, industry-specific trade fairs, direct mail, outdoor/vehicle advertising, print media, and, to a lesser extent, electronic media. Company sponsorship of television programs, particularly locally-produced programs, is growing rapidly. The local print media in Tunisia generally accepts paid advertising. There are accepted standards for advertising, with references to religion generally not permitted. Local attorneys or marketing specialists can advise foreigners on the acceptability of various aspects of a promotional campaign.

For marketing purposes, urban society in Tunisia is probably best described as heavily influenced by European standards. The state-run Tunisian broadcasting authority, ERTT, broadcasts two Arabic-language TV channels and transmits programs from Italy's Rai Uno. Satellite television is popular, and Tunisians closely follow Arabic satellite channels such as al-Jazeera. Mosaique, a private Tunisian radio station, was launched in 2003, followed by a private television station, Hannibal, in 2004, and El Jawhara, another private radio station, in 2005. In February 2007, another private TV station, Nessma, which covers multiple North African Markets, was launched. Radio Zaitouna, one of Tunisia's most popular radio stations, features mostly religious content and does not accept advertising. In 2010 the Tunisian government approved the creation of two other private radio stations, Shems FM and Express FM. The latter focuses on economic issues. After the January 2011 revolution, many private TV channels (such as El Mutawassit, TNT, Zaitouna TV, El Janoubia, etc.) and radio stations (such as Cap FM, IFM, Radio 6, Kalima, Oxygen FM, etc.) were launched.

Foreign commercial television advertising is accepted, but under standards applied even more strictly than for print media. The cost is the same for foreign or local-origin goods for advertising in newspapers (private or public), websites, private radio station and private TV channels. However, ERTT costs are 250% higher for advertised foreign-origin goods if there is a direct national competitor for that product.

Legally, the dominant portion of any storefront sign must appear in Arabic; in practice, however, French-language signs are also widely used. This legislation is enforced sporadically.

There are a large number of industry-specific trade shows, exhibitions, and promotional events. Most major Tunisian cities have at least one exhibition center, while Tunis has three (Le Kram, CIFCO, and Tunis Expo).

Pricing

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Except for food items, many of which are subsidized local products, or higher-priced regional imports, products on the local urban market are priced at levels roughly equivalent and often times slightly below major urban centers in the U.S.

U.S. durable goods (e.g., machine tools, generators) currently available on the Tunisian market tend to be significantly more expensive than European or Asian models. This cost differential is partly due to the duty-free import of EU products into Tunisia, but also because of the additional charges added by European distributors of U.S. goods whose licenses cover Tunisia.

In the past, possibly because of language or cultural differences, U.S. suppliers of manufactured goods have been reluctant to deal directly with Tunisian distributors. However, the majority of local distributors have expressed a strong interest in eliminating the middleman – usually the European office that has responsibility for the regional market – in existing distributor relationships.

Sales Service/Customer Support

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Tunisian consumers are becoming accustomed to after-sales service and have begun to expect a higher degree of customer support. 1992 legislation (Law 1992-117) instituted measures to provide increased consumer protection. In addition, a government designed standard sales contract details the requirements of retail or manufacturer guarantees. The model contract is included as an annex to a 1999 law requiring specific clauses in all guarantees of electronic and household equipment. In addition to providing technical instructions in Arabic and French or English and providing for verification of the proper functioning and good condition of merchandise, this law includes a schedule of reimbursements to be made if faulty merchandise cannot be adequately repaired within 15 days of notification from the consumer. Application of this legislation is not uniform.

Introduction

Several general principles are important for effective management of intellectual property (IP) rights in Tunisia. First, it is important to have an overall strategy to protect IP. Second, IP is protected differently in Tunisia than in the United States. Third, rights must be registered and enforced in Tunisia under local laws. A U.S. trademark and patent registration will not necessarily be protected in Tunisia. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so companies should consider applying for trademark and patent protection even before selling their products or services in the Tunisian market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. Government generally cannot enforce rights for private individuals in Tunisia. It is the responsibility of the right holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Tunisian law. The U.S. Embassy can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. Government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Companies are urged to negotiate from the position of a partner and give the partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Companies should consider carefully, however, whether to permit their partner to register their IP rights on their behalf. Doing so may create a risk that the partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Companies should keep an eye on their cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Tunisia require constant attention. Companies should work with legal counsel familiar with Tunisian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Tunisia or U.S.-based. These include:

- The U.S. Chamber and the Tunisian American Chamber of Commerce (TACC)
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Tunisia's National Institute for Standardization and Industrial Property (INNORPI)

IPR Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Tunisia at: Mohamed.Shaltout@mail.doc.gov.

IPR Climate in Tunisia

In line with international obligations and in order to attract foreign direct investment, Tunisia has passed extensive legislation to protect intellectual property and, in 2006 made considerable progress in the stricter application of these laws.

There is also pending legislation to update the February 1994 law (Law 1994-36), which will cover the following points:

- Improvement of control procedures by increasing the number of sworn agents, from a wide range of ministerial departments related to IPR law enforcement (Ministry of Industry, Ministry of Culture, Ministry of Interior, Ministry of Justice, and Ministry of Finance/Tunisian Customs);
- According to the new Tunisian Customs code, customs officers will be able to seize counterfeited goods as soon as there are signs of suspicion. Customs will no longer wait for the original company owner to issue a complaint;
- Any distributor or importer must have a license from the original company. The absence of a legal authorization/license will be considered de facto as a legal infringement;
- Control will now be imposed on both import and export and not solely import;
- Fines and prison sentences will be increased.

Tunisian law provides for copyright and trademark registration and protection. For enforcement, U.S. firms must register their trademarks and industrial designs with the Tunisian Institute for Standardization and Industrial Property (INNORPI - Institut National de la Normalisation et de la Propriété Industrielle). In April 2010, the GOT adopted the law (Law 2010-15) authorizing INNORPI to centralize trademark registrations in the commercial register and allowing it to issue certificates of priority on the registered trade names. Recent U.S. Government-supported initiatives, such as the U.S. Department of Commerce's Commercial Law Development Program and U.S. Patent and Trademark Office seminars, have offered training to Tunisian decision makers in the field of IPR regulation enforcement. Although Tunisian legislation prohibits the disclosure of research and other proprietary information submitted during patent and marketing licensing application, U.S. companies contend that these steps are insufficient to prevent the unauthorized use of such data. The U.S. Government continues to advocate for the strengthening of Tunisia's IPR enforcement.

Tunisia's IP office contact information can be found at http://www.wipo.int/directory/en/contact.jsp?country_id=171

Due Diligence

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Market research firms are present in Tunisia, as well as public certified accountants affiliated with major international companies. These companies can supply limited credit information on a selective basis. However, it is often difficult to perform due diligence on banks, agents, and customers. Banks will not provide information on business clients without explicit permission from the clients themselves, and then will only provide limited details. Credit checks and reports are not readily available.

U.S. companies that require due diligence investigations are encouraged to contact the U.S. Embassy in Tunis and inquire about its International Company Profile (ICP) service. The ICP service can provide extensive background information about a Tunisian company, including its capital, principals, foreign clients, market share, etc. but the financial details provided by the company's bank are usually vague and non-committal.

Local Professional Services

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Although the Embassy is not authorized to recommend any particular individual or company, it maintains a list of local attorneys, accountants, and translators who have experience working with U.S. companies and interests in Tunisia.

Web Resources

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| | |
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| Tunisian Government | www.ministeres.tn |
| Central Bank of Tunisia | www.bct.gov.tn |
| FIPA (Foreign Investment Promotion Agency) | www.investintunisia.tn |
| Tunisian Industrial Promotion Agency | www.tunisieindustrie.nat.tn |
| General Information about Tunisia | www.tunisie.com |
| Tunisian Yellow Pages | www.pagesjaunes.com.tn |
| CEPEX (Export Promotion Center) | www.cepex.nat.tn |
| APBT (Association Professionnelle Tunisienne des Banques et des Institutions Financières – Tunisia Bankers' Association) | www.apbt.org.tn |
| UTICA (Union Tunisienne de l'Industrie du Commerce et de l'Artisanat - Tunisian Association of Industrialists and Traders) | www.utica.org.tn |
| European Union (EU) | europa.eu/index_en.htm |
| IACE (Institut Arabe des Chefs d'Entreprise - The Arab Institute of Business Managers) | www.iace.org.tn |
| INNORPI (Institut National de la Normalisation et de la Propriété Industrielle - National Institute for Standardization and Industrial Property) | www.inorpi.ind.tn |

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Chapter 4: Leading Sectors for U.S. Export and Investment

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- [Architecture/Construction/Engineering Services](#)
- [Pollution Control Equipment](#)
- [Insurance](#)
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Tunisia fulfilled a major commitment under the WTO basic telecommunications agreement (which required market access and same national treatment for foreign telephone service providers by January 2003) when the sector was opened up to foreign competition for a private cellular network license.

- No U.S. companies bid for the license, which was awarded to Orascom of Egypt and marketed as Tunisiana.
- A Tunisian/Monegasque consortium (Planet Tunisie and Monaco Telecom), Divona, had been awarded the contract for operation of a Very Small Aperture Terminal (VSAT) license.
- Partial privatization of Tunisie Telecom, the state telecommunications agency, took place in early 2006 when 35% of its capital was sold to a Dubai-based consortium.

Mobile and Fixed Telecommunication Networks

In December 2008, the Tunisian government released an international tender to award a third telecom license for the provision of public fixed and second and third generation mobile telecommunications networks and services. In June 2009, the then Ministry of Communication Technologies officially announced that the French-Tunisian consortium Orange-Divona Tunisie won the third telecom license against Turkish Turkcell for the global amount of 257.2 million TND (\$165 million). Orange-Divona became the majority shareholder in Orange Tunisie, whose capital is 51% Tunisian and 49% French (via France Telecom) and was expected to invest 1.08 billion TND (\$692 million) to build its new network.

In March 2011, the Tunisian government issued a decree freezing assets of family members and close associates of former President Ben Ali, including Orange-Divona. Therefore, as of March 2011, the Tunisian State is the majority shareholder of Orange Tunisie. Orange Tunisie officially started providing services in May 2010.

Tunisiana, Tunisia's second largest telecom company has undergone significant ownership changes in the last two years. In November 2010, Qatar Telecom announced the acquisition of the shares held by Orascom Telecom Holding in Orascom Telecom Tunisia (Tunisiana). Qatar Telecom did this through its subsidiary Wataniya, in consortium with Zitouna Telecom, a Tunisian consortium between Princess Holding Group, belonging to former President Ben Ali's son-in-law Sakher El-Materi, and the Tunisian businessman Hamdi El Meddeb. The \$1.2 billion transaction was finalized in January 2011 and Wataniya, which is already the 50% shareholder of Tunisiana, became 75% owner of Tunisiana's capital. The remaining 25% was owned by Princess Holding and Hamdi El Meddeb. Before January 2011, the new board announced that Tunisiana was interested in expanding its activities to fixed line telephony as well as

obtaining 3G and data transmission licenses. Later in January 2011, however, Sakher El-Materi fled the country following the fall of former President Ben Ali, and three weeks later, the Government of Tunisia nationalized the shares of Princess Holding Groupe in Tunisiana. In February 2012, the government published an international tender to award a new telecommunications license for fixed lines and 3G mobile services. In May 2012, the Ministry of Information and Communication Technologies announced that Tunisiana won the tender for 205 million TND (\$131.4 million). The 25% of nationalized shares in Tunisiana were put up for sale in mid-2012 and the state ended up selling 15% to Qtel for \$360 million, bringing the total shares of Qtel in Tunisiana to 90%. In January 2013, the Ministry of Finance announced that the remaining 10% will be sold on the Tunis stock exchange.

Internet

In November 2009, Tunisie Telecom, Tunisia's leading provider of telecommunications and internet services launched the new 100% Tunisian submarine optic fiber cable, symbolically dubbed "Hannibal" (an important figure in Tunisian history). The 160 mile long cable lies three feet below sea level and was dug using a remotely operated submarine. With an initial capacity of 40 gigabytes per second (Gbps), expandable to 3,200 Gbps, the submarine cable, connecting Kelibia to the Italian city of Mazara, is one of the most important telecommunications connections in the Mediterranean. The cable, which required an investment of nearly 16 million TND (\$11.4 million), will ensure the country's digital independence while boosting its telecommunication capacity seven-fold. It will also enhance Tunisia's IT connection capacity, broadband growth, and enable Tunisia to provide internet services to the African continent, making it a potential regional IT hub.

In June 2010, Tunisie Telecom paid 16.6 million TND (\$11.8 million) to acquire TopNet, the leading internet provider in Tunisia and in September 2010 it was awarded the third generation (3G) mobile license for 116 million TND (\$82.8 million) launched in September 2011. Tunisie Telecom initially announced it would go public on both the Tunis and Paris stock exchanges in 2011, but has since postponed its listing plans.

Tunisia's 11th Development Plan (2007-2011) was based on a 17% growth rate in the IT sector and a 13.5% contribution of the sector to the country's GDP. In 2009, the IT sector contributed 10% of GDP. Although it is unclear whether Tunisia's current government will continue the implementation of previous development plans, government officials have asserted that IT infrastructure, especially in underserved areas, will be a key priority.

Best Prospects/Services

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All sectors of the telecommunication industry are expanding rapidly, and there are excellent opportunities for U.S. companies. In recent years, U.S. firms have been successful in fields such as fiber optics and local loop systems.

Opportunities

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Overall penetration rates for fixed and mobile phones have increased rapidly since 2001, reaching 128.8% (of which 118.6% is for mobile) in 2012. The number of fixed lines is

1.1 million and total mobile lines reached 12.8 million. Tunisia now has one of the highest mobile phone subscriber rates in Africa. In 2012, Tunisia had 6.7 million subscribers (52.6%), Tunisie Telecom had 4.5 million subscribers (35.5%) and Orange Tunisie had 1.5 million subscribers (11.9%). As of March 2012, there were around 4.42 million Internet users in Tunisia, but only about 607,142 subscribers. Tunisie Telecom is looking for additional market share by promoting expansion of its land line telephone network.

The operation of call centers represents a new and rapidly expanding service industry in Tunisia. The country's infrastructure, coupled with highly – skilled human resources, supports this industry well. There are over 225 call centers in operation, employing over 17,500 people. They serve primarily French-speaking clients, although some serve the Italian market and at least one, specialized in the health sector, operates in English serving the UK market. A few U.S. companies are operating or set to operate call centers in Tunisia, mostly to serve the European market.

Through the provision of three telecom licenses for fixed lines and 3G mobile phone technology, Tunisia has made a firm step toward access to high-speed mobile Internet and high capacity data transmission, which is set to create business opportunities for U.S. technology. In October 2009, Juniper Networks, a U.S. IT infrastructure supplier, and its Tunisian partner Satec, won the bid to supply the IP/MPLS backbone of the telecom operator Orange Tunisie. Chinese companies such as Huawei and ZTE bid aggressively on current telecommunications tenders and have been able to offer financing terms that U.S. and European competitors have been challenged to match. Siemens, Alcatel, and Ericsson are the major European competitors in the sector.

For information about Market opportunities and access to tender information please E-mail Tuniscommercial@state.gov

Resources

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Ministry of Communications Technology

www.mincom.tn

ATI (Agence Tunisienne d'Internet - National Internet Agency)

www.ati.tn

Tunisian Postal Service

www.poste.tn

FIPA (Foreign Investment Promotion Agency)

www.investintunisia.tn

Tunisian Industry (government site)

www.tunisieindustrie.nat.tn

Electrical Power Systems and Renewable Energy

Overview

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The Government of Tunisia has stated that it views independent power projects (IPPs) as the best way to meet Tunisia's annual 5.4% growth in electricity consumption. However, Société Tunisienne d'Electricité et du Gaz (STEG), the state utility company that has operated a monopoly for many years, continues to demonstrate some resistance to private investment in the sector. Tunisia's legal framework does allow IPPs for a direct industry end-user, with the possibility of selling up to 30% excess back to the STEG grid. IPPs for direct sale to STEG are permitted only on a case-by-case basis. Tunisia currently has two IPPs, producing over 20% of Tunisia's electricity. As of early 2013, the Tunisian government indicated it will revise existing legislation to allow IPP in renewable energy.

- Tunisia's first IPP, a 471 Megawatt (MW) combined cycle electrical power plant, began operations in 2002 and currently holds the majority market share for private power generation. The U.S. led consortium Carthage Power Company built a \$260 million plant as a joint venture between PSEG of New Jersey and a Japanese enterprise, Marubeni. The U.S. stake of 60% was subsequently sold to BTU Ventures, a private equity and project development firm registered in Boston with shareholders from Qatar, Kuwait, and Bahrain. General Electric (GE) has been particularly successful in marketing gas turbines in Tunisia for electricity production. A private U.S. initiative to produce electricity from flared gas is also in operation.
- Tunisia's second IPP, Société d'Electricité d'El Bibane (SEEB) is a joint venture between U.S. Caterpillar Power Ventures and the Canadian company Candax. SEEB successfully lobbied for a change in Tunisian legislation to permit the supply of privately produced electricity to STEG. It produces 27 MW for the national grid.

To meet the increasing demand for electricity and to promote energy conservation, the Tunisian government adopted a law in 2009 that allows private companies and households to produce electricity for their own consumption using cogeneration and renewable energy. The law says that up to 30% of excess electricity can be exclusively sold to STEG at a fixed price. To encourage energy conservation, the Tunisian government adopted a 2009 decree (Law 2009-362) which fixes the amount of grants and incentives that are allocated to energy conservation projects.

Natural gas supplies 94.3% of Tunisia's electricity plants. Nearly 40% of the gas comes from the offshore Hasdrubal and the onshore Miskar fields both operated by British Gas.

Best Prospects/Services

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Most of Tunisia's current electricity is generated from natural gas, and renewable energy represents a very small fraction of total production. The Tunisian government has

indicated an interest in diversifying away from hydrocarbons and into renewable energy. That said, hydrocarbons will still play an important role in Tunisia's energy picture.

Tunisia has a current power production capacity of 4,200 MW generated by 25 power plants and a series of projects at various stages of development are designed to meet an expected doubling in demand for electricity over the next 15 years. In 2009, STEG finished a 126 MW extension of its power plant located in Feriana. In 2010, two new power plants were built: the first, with a capacity of 126 MW, is located in Thyna and developed by GE; the second is a 400 MW extension of an existing power plant in Ghannouch, originally constructed in 2006 with an initial capacity of 400 MW. The extension was done by the French group ALSTOM at a cost of \$560 million. Responding to an emergency need for additional power capacity before the summer of 2013, GE succeeded in selling to STEG two gas turbines with a total capacity of 256 MW to be installed in Bir Mcherga before June 2013; the total cost of the project is \$155 million. An additional IPP is expected to be launched in 2013, although to date, certain projects that have been initially advertised as IPPs have instead remained as STEG projects.

In January 2009 the Tunisian government released an international tender for two power plants (the Nur project). The first was for the construction of a turnkey combined cycle "Single Shaft" power plant in Sousse with a capacity of 400 MW to supply electricity to the industrial sector by 2013. The second was a 400 MW combined cycle power plant to be built in Bizerte; the project was initially published as an IPP, but ultimately STEG decided to own and operate the power plant and moved it to Sousse, naming the project "Sousse D". Both projects were won by the Italian-Canadian consortium Ansaldo and SNC Lavalin and are currently experiencing a delay of at least seven months, putting additional pressure on STEG's capacity to meet 2013 and 2014 summer peak demand. Some sources indicated that STEG is now preparing another tender for the construction of a turnkey combined cycle "Single Shaft" power plant in Bizerte.

Currently, 2% of Tunisia's energy comes from renewable sources. However, growing overall domestic electricity demand and the agreement for the El Med project make the Tunisian market ripe for development of renewable energy. According to government officials, Tunisia will have 215 MW of new wind power by the end of 2013 and raise national energy production from renewable energy to 16% of total production by 2016 and to 40% by 2030. Past initiatives by the Government have experienced delays and the 2016 deadline could slip, although renewable energy still remains a stated priority.

(In 2006, STEG launched a tender for a long-awaited project to produce 120 MW of electricity from wind energy. STEG's three selected sites and the tender were contested by a U.S. wind energy investment group that had made a major investment in wind energy research and data collection on the specified sites.)

During the second annual Arab-Japanese economic forum held in Tunis in December 2010, Tunisia and Japan signed a cooperation agreement in the renewable energy sector. The agreement included a \$25 million Japanese grant to build a 5 MW pilot solar-thermal plant in El Borma (southern Tunisia). SITEP (an Italian-Tunisian joint venture hydrocarbons company) and STEG Renewables have agreed to build a 40 MW combined cycle power plant connected to the Japanese solar pilot plant in order to meet SITEP's power needs.

The Tunisian government has announced that it intends to develop a 900 MW nuclear power plant production by 2023, although it is unclear whether the Tunisian government is serious about backing up these announcements with the robust resources for this type of investment. In April 2008, Tunisia and France signed a cooperation agreement in civil nuclear energy which was set to bring nuclear power capability to Tunisia by 2023. The Tunisian government underwent a consultative process with foreign partners to garner expertise and develop this capacity. (In September 2010, Tunisia and the U.S. signed a cooperation agreement for the safe and secure expansion of civil nuclear energy.) However since the signing of the agreement, the Tunisian government has not been proactive in seeking further capacity-building opportunities or in identifying nuclear energy as a priority for Tunisia's energy future.

Opportunities

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There are excellent opportunities for sales of U.S.-origin power generation equipment in both GOT-operated and IPP electricity generation projects. The sector offers some of the largest and best opportunities both for equipment exports and, in the case of future Build-Own-Operate (BOO) or Build-Operate-Transfer (BOT) projects, investment in the Tunisian market.

- GE gas turbines are installed in many of Tunisia's electricity production units but there is strong competition from European competitors such as ABB (Switzerland), ALSTOM (France), SNC Lavalin (Canada), Ansaldo (Italy), and Siemens (Germany).

The Tunisian government is set to launch a large new project with interesting prospects for U.S. companies: a joint Tunisian/Italian power project named El Med. It will consist of a 1200 MW power plant at Hawaria, with 800 MW of power exported to Italy. In June 2007, the Tunisian and the Italian governments designated Italian company Terna and STEG as partners in a joint venture to implement the electrical interconnection via undersea cable, manage international transits of electricity on the grid, and launch the tender to build the power plant. The call for expressions of interest in the IPP was released in September 2008, and 16 international companies, (two from the United States among them), bid for the project. The selection of the contractor was initially planned for 2011 but is now postponed to an undetermined date due to the ongoing political transition. The power plant is source neutral, although gas, coal, and wind have all been proposed as energy sources. 200 MW of the 1200 MW will be reserved for renewable energy.

Future trans-Maghreb projects include a plan to link the electricity distribution networks across North Africa, offering considerable opportunities for U.S. suppliers of equipment and engineering services. Tunisia's national grid is already connected to Algeria's and Libya's grids.

- Desertec, a German-funded initiative to export green energy from North Africa to Europe, may also facilitate renewable energy investments in Tunisia.

There are sales and investment opportunities for U.S. companies dealing in renewable energy, especially after the adoption by the Tunisian government of the Tunisian Solar Plan (TSP). The TSP, which spans 2010-2016, includes 40

projects with a total cost of 3.6 billion TND (\$2.790 billion) and encompasses all fields of energy efficiency and renewable energy in line with the approach adopted by the Mediterranean Solar Plan and the Desertec project, through which MENA and EU countries will interconnect their power grids and use renewable energy to generate their electricity needs.

Tunisian officials informed that Tunisia is aiming to increase the renewable energy's shares on the total installed power production to reach 16% by 2016 and 40% by 2030. These goals are ambitious and the TSP should be viewed as a vision document, rather than an approved project list.

The most important TSP projects are:

- Solar Thermal Energy called "Thermal PROSOL" in six projects for \$290 million.
- Solar Power called "Electric PROSOL" in 11 projects for \$900 million.
The two major projects under this category are:
 1. The construction by STEG of a Concentrated Solar Power (CSP) plant of 25MW capacity, integrated to a Combined Cycle of 120 MW capacity at the cost of \$255 million.
 2. The construction of CSP plant of 75 MW capacity whose production will be totally or partially exported. The project will be a partnership between STEG and the private sector and will cost \$324 million.
- Wind Energy Projects: there are three big projects under this category:
 1. The implementation by the private sector of a 60 MW Electricity self-production power plant based on wind energy for the supply of Big Power Consuming Facilities such as cement factories and others at an estimated cost of \$135 million.
 2. The implementation by STEG of a 120 MW wind farm at an estimated cost of \$259 million.
 3. The implementation by the private sector of a 100 MW wind farm whose production will be totally or partly exported at an estimated cost of \$200 million.

The GOT announced that it will publish an updated version of the TSP by the end of 2013.

(Tunisian officials advised that Tunisia is aiming to increase renewable energy's shares on the total installed power production to reach 16% by 2016 and 40% by 2030).

For information about market opportunities and access to tender information please E-mail Tuniscommercial@state.gov

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Ministry of Industry
ETAP (Entreprise Tunisienne d'Activites Petrolieres
Tunisian Enterprise for Petroleum Activities)
STEG (Société Tunisienne de l'Electricité et du Gaz -

www.tunisieindustrie.nat.tn

www.etap.com.tn

state-owned Gas and Electricity company)
FIPA (Foreign Investment Promotion Agency)
ANME (National Agency for Energy Conservation)
Tunisia Solar Plan

www.steg.com.tn
www.investintunisia.tn
www.anme.nat.tn
www.plansolairetunisien.tn

Tunisair, the national airline (76% state ownership and 24% private ownership), currently operates 35 aircrafts (24 Airbus and 11 Boeing). In December 2007, the company launched an international tender to replace its aging fleet over the next ten years, which was awarded to Airbus in April 2008. The Tunisair deal with Airbus included the purchase of 16 aircrafts (10 A320, three A330-200 and three A350-800), the opening of an Airbus parts factory that will create 2,000 jobs, and support for the aeronautical industry in Tunisia. In December 2009, Tunisair announced the acquisition of a new A340-500 plane to cover long distance routes.

Tunisair underwent a rigorous reorganization in 2008-2009 and the GOT decided to exempt it from taxes on profits for a five-year period in view of its renewal program, which allowed the company to considerably improve its financial situation. After the revolution and under social pressure from the workers union, Tunisair's board decided to reintegrate all the company's affiliates, which negatively impacted the company's financial situation. In November 2012, a new restructuring plan, which includes the inauguration of 20 new destinations by 2017 and the layoff of 1,700 employees was announced and is set to be presented to the government in 2013.

Tunisair Express (formerly Sevenair), Tunisia's second public airline and a subsidiary of Tunisair, operates internal and short distance international flights through a fleet of three ATRs and one CRJ.

The previous regime announced its intention to liberalize air transport with Arab, European, and North American countries. In 2009, Tunisia signed an Air Transport Agreement with Canada. The interim government has indicated it will negotiate an Open Skies Agreement with the EU, and conversations are ongoing about the possibility of an Open Skies Agreement with the United States. Tunisia has seven airlines in total, two are state-owned and five are private.

Of the five private airlines, the two larger ones, Nouvelair and Karthago, mainly work with European tour operators. In October 2008, they announced their merger, in which Nouvelair and Karthago would respectively hold 79% and 21% stakes, resulting in a joint fleet of 21 aircrafts (15 Airbus and 6 Boeing). In March 2011, the government adopted a law (Law 2011-13) to expropriate all assets belonging to the former president and his family members, which led to the partial nationalization of Karthago Airlines, whose majority owner was the brother-in-law of the former president.

Tunisavia, a private commercial fixed wing and helicopter operator, services desert and offshore petroleum installations and two newcomers on the scene as of September 2011, private airlines, Syphax and FreeJet. Syphax has already begun service to Europe, Libya and Turkey, and has announced to go public by mid-2013 to support its future development plans, inter alia purchasing a long range Airbus aircraft to serve the North American continent.

Aerospace is a growth sector in Tunisia, especially given the government's strategy to position itself as a hub for aeronautics in the region. The most important event boosting the sector was the signing in January 2009 of a Memorandum of Understanding between EADS and Tunisia to build an Airbus plant. As a result of the agreement, EADS acquired a 30 hectare plot of land in the region of Mghira – in the southern part of Tunis and near the port of Rades – to build a new aeronautical industrial zone. The plant, which was built by Aerolia (the new EADS subsidiary that resulted from the restructuring plan of the European aircraft manufacturer) is devoted to the construction of aircraft subassemblies. It will be a low-cost factory that will manufacture small aircraft subassemblies for Airbus. The plant started with 50 people at its opening in early 2010 and is set to employ 700 people by 2014.

Latécoère, a major supplier of Airbus established in Tunisia since 1995, has two cable factories employing 800 people. In conjunction with the move of Aerolia, Latécoère has announced the construction of a third production site that will offer 200 new jobs. The aim of these projects is to create a complete industrial system, with complementary sites in order to form an integrated supply chain.

Another important event that added dynamism to the sector took place in February 2009, when Safran, the world leader in the field of propulsion and onboard aviation systems, concluded a partnership agreement with the Tunisian high-tech engineering company Telnet for the establishment of a production unit attached to the Aerolia plant. The new production unit will be mainly specialized in manufacturing sophisticated electronic components as well as embedded software.

A chamber group for the aerospace industry exists, called GITAS, and is active in lobbying the government of Tunisia on how to best promote the aerospace and aviation sectors.

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Although a decrease in tourism has negatively impacted the air transport sector, opportunities in infrastructure and aeronautics exist.

The contract to build a new international airport at Enfidha was awarded to the Turkish Holding Company Tepe Akfen Ventisres (TAV) in March 2007. The cost of this Build-Own-Operate (BOT) project for Tunisia's seventh international airport is estimated at \$560 million. TAV started construction in July 2007 and finished its first phase in November 2009, with an initial annual capacity of seven million passengers (the final annual capacity is estimated to exceed 30 million passengers once all four terminals are built by 2036.) Currently the airport operates mostly charter flights, and has absorbed traffic from the nearby Monastir airport, whose traffic was partially diverted to Enfidha. At 1.5 hours of driving time from the capital, it is unclear whether Enfidha will ever become a viable alternative to Tunis Carthage International Airport. The concession given to TAV to build and operate Enfidha airport and operate Monastir Airport lasts 40 years. TAV subcontracted many parts of the project to local and foreign companies and will likely do so for the remaining phases of the project. This may present good opportunities for U.S. businesses, if the construction goes forward as planned.

On aeronautics, Tunisia is positioning itself as an industrial hub with high added value for companies seeking better performance. The forty existing companies, which are mostly French (only one is American), are active in various segments, such as aircraft maintenance, aerospace wiring, engineering and consultancy, metal sheet cutting and assembly, and electronics.

The Tunisian government is advertising the country as the "Euromed Valley" for aeronautics and is looking to attract foreign investors through tax incentives and a low cost labor force. During the June 2009 Bourget Aerospace Show in Paris, Tunisia concluded a partnership agreement with Dassault Systems to train and develop skilled Tunisian engineers in the field of software development for aeronautics and the automotive sector. In July 2009, Aerolia announced an investment plan of around \$40 million for the next five years in its new factory in Tunisia and disclosed the names of four new subcontractors that would be joining the company: Figeac Aero, Mécahers, Mécanyvois, and Corse Composites. Tunisia's new focus in aerospace presents real opportunities for U.S. companies.

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Tunisian Ministry of Transportation

www.ministeres.tn

Tunisair (National airline)

www.tunisair.com.tn

OACA (Office de l'Aviation Civile et des Aéroports - Civil Aviation Agency)

www.oaca.nat.tn

FIPA (Foreign Investment Promotion Agency)

www.investintunisia.tn/

Tunisian Industry (government site)

www.tunisieindustrie.nat.tn

Automotive Parts/Services/Equipment

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The car market in Tunisia is considered one of the major sectors of the economy and has drastically shifted from a focus on local car assembly between 1960s and 1980s to already-assembled vehicle imports since the early 1990s.

However, in view of a sharp increase of car imports the Tunisian government decided in 1995 to set up a quota system to fix the annual number of imported cars into the country. The quota system takes into consideration four main factors: the trade deficit, market demand for new vehicles, investment arrangements between foreign car makers, and domestic car component manufacturers. The implementation of such a quota system has allowed the government to better control the growth rate of the automobile sector in Tunisia through import controls and to monitor the trade deficit more closely. It also allowed the government to promote a local automotive industry that helps create jobs and foster technology transfer to Tunisia.

During the rule of former president Ben Ali, automotive imports, sales, and distribution were largely controlled by Ben Ali's family members. In March 2011, a government decree nationalizing Ben Ali family assets affected some of the dealerships, effectively turning them into government-owned entities. Their operations still continue, but under a different ownership structure.

Automobiles with large engine capacity carry a high consumption tax, with rates rising to up to 277% for gasoline-fueled engines and 360% for diesel-fueled engines, but the Tunisian government has reduced this to 67% and 88% respectively if they are imported via an authorized distributor. Luxury cars currently enter Tunisia through the parallel market and are available for sale at well below the official distributors' prices. The tax reduction is intended to make the prices of legally imported automobiles more competitive.

Best Prospects/Services

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Tunisian dealers are increasingly looking to represent U.S. automobile manufacturers as the market presents potential niches. This will lead to an increased demand for U.S. automotive parts and components.

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As the Tunisian automobile market diversifies beyond European brands, there is room for U.S. manufacturers and suppliers of spare parts. Both GM (operated in Tunisia under the GM, Chevrolet, and German-made Opel brands) and Ford have successfully entered the automobile car market.

In December 2012, the total number of passenger cars in circulation reached 983,535. European brands largely dominate the market with a market share of 62.8% (mainly

Renault 16.7%, Volkswagen 13.8%, Peugeot 13.7%, Fiat 9.6%, and Citroen 9%). U.S. brand names control a limited market share of 11.8% (mainly Ford 7.2%, Chevrolet 4.1%, and GM-Opel 0.5%).

In 2012, total sales of new passenger cars and pick-up cars reached 37,136 vehicles and 9,392 vehicles respectively.

As Ben Ali's extended family holdings are nationalized or restructured, this may open up the way for more foreign automobiles. In early 2011, the then-Minister of Trade and Tourism noted the auto import sector would be liberalized, although no specific measures have yet been announced.

Investment in manufacturing automobile components for export is a priority sector for the Government of Tunisia due to its labor-intensive, and therefore job creation, characteristics. Several U.S. companies have successfully invested in this sector.

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Architecture/Construction/Engineering Services

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Major opportunities in this sector will arise as Tunisia's development policy focuses more on infrastructure in the south-central regions. Some Gulf-based companies also announced plans to invest more in Tunisia, mainly in construction in Tunis suburbs. These large investments include a \$5 billion sports city (to be developed by the Emirati Bukhatir Group) and \$3 billion to develop the Tunis Financial Harbor (a Bahraini–Turkish joint venture). Other real estate projects announced in 2007 and 2008 were subsequently cancelled after the 2008 financial crisis and debt crisis of Dubai World Holding.

Opportunities

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Work on the \$5 billion Boukhatir Group's Tunis Sports City project has already begun and could present opportunities for U.S. companies if it moves forward. The project, which covers 250 hectares on the northern shore of the lake of Tunis, will include nine sports academies covering 36.5 hectares, a golf course, and a 125 hectare residential zone. The project is currently delayed, but still moving forward, albeit at a slower pace.

In December 2009, Gulf Financial House (GFH) confirmed plans to build the Tunis Financial Harbor project, which will be North Africa's first offshore financial center. The project, to be located in Tunis' northern suburbs, will cover 520 hectares and will contain a business center, a banking investment center, a "Takaful" insurance center (a form of insurance that complies with the principles of Sharia), and a business school, as well as a golf course and commercial and residential centers. The implementation of this project was also delayed in view of the international financial crisis and Tunisia's political transition, though early 2012 media statements indicated the project will move forward.

Major development may be underway in the Enfidha region, which the Tunisian government wants to transform into a transportation hub. In addition to the new airport project, the government is studying to create a deep-water BOT commercial port at Enfidha. The site for the \$1.4 billion port lies near the airport. Initial feasibility studies have been carried out, and an international tender was launched in December 2007, but no bidder has been selected so far. Media reports indicate that a Canadian and a Kuwaiti business group were short-listed and the latter will more likely win the deal, though other analysts note the site location has environmental issues as in not cost effective to develop. Tunisia's highway and railroad systems serve the area, and a nearby 3,000 hectare industrial zone has already been developed for future investment.

Tunisian government officials have indicated that the deep water port of Bizerte, 45 minutes north of Tunis, could be a potential alternate site for development.

Major road construction projects underway include a 44 mile extension of the existing western toll highway to Bou Salem, at a cost of \$385 million, and the extension of the existing Tunis-Sfax highway to reach Gabes and then Ras Jedir, on the Libyan border, by 2013. Studies have begun on a 60-km highway from Tunis to El Fahs, in the direction of Kairouan, (central Tunisia) which will be ultimately extended to Sidi Bouzid, Kasserine, and Gafsa. The Tunisian Ministry of Transportation and Public Works (General Direction of Roads and Bridges) launched a national and international tender to widen the road to Le Kef, which will be funded by the European Investment Bank.

Regional long-term highway construction prospects include an Arab Maghreb Union (UMA) project to complete a trans-Maghreb highway linking Nouakchott, Mauritania to Cairo, Egypt via the Maghreb country capitals. It is important to note, however, that UMA projects have been in the works for many years, and unclear financing plus political issues arising between UMA members have often prevented such mega-projects from reaching fruition. The only portion of the trans-Tunisian highway for which plans have not yet been announced is the short stretch between Bou Salem and the Algerian border. As Tunisia's government places more emphasis on infrastructure development in south-central Tunisia, opportunities may arise for U.S. companies.

In addition to construction work, U.S. companies can become involved in major infrastructure projects through supplying engineering services or developing partnerships with Tunisian construction companies. Such partnerships have been successful in the past.

The African Development Bank headquartered in Tunis, funds major infrastructure projects on the entire continent, including Tunisia. It was a major source of financing for the Enfidha Airport and other major works projects.

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Tunisian Ministry of Transportation
OMMP (National Ports Office)
African Development Bank

www.ministeres.tn
www.ommp.nat.tn
www.afdb.org

Pollution Control Equipment

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U.S. exporters of these products and services face stiff competition from European competitors, which often provide attractive government-backed financing. Local representatives of European companies repeatedly point out the lack of assertiveness shown by U.S. companies in a field where they could have a much bigger share of the market.

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The market for all types of equipment for environmental protection and pollution control has enormous potential. Anticipated tenders for landfill, construction and management projects, coastal pollution projects, and waste water treatment all offer good opportunities for U.S. technology.

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ANPE (National Agency of Environment Protection) www.anpe.nat.tn/fr/links.asp

Insurance

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The insurance sector in Tunisia is underdeveloped, mainly due to low penetration in the national economy, low domestic savings, and the deficit of some segments such as auto and health. These weaknesses will have to be overcome to enable the sector to play a full role, especially as it opens to foreign competition in accordance with the commitments made under the WTO and the association agreement with the European Union.

In the days immediately after former President Ben Ali fled the country in January 2011, looting and property damage occurred in major hypermarket retail chains owned by Ben Ali's extended family. Monoprix and Géant were targeted, and losses amounted to approximately \$25 million. Although the companies have not commented publicly, they were likely not covered for this damage. Some companies have indicated that foreign underwriters appear unlikely to cover civil unrest damages in future policies. The Tunisian government worked closely with the Tunisian Federation of Insurance Companies (FTUSA) in order to find an arrangement for a partial coverage of the losses. This led to the adoption in 2011 of decree-law 2011-40, which set practical arrangements for settlement of claims following the revolution-triggered riots and social movements.

The reforms that were undertaken in favor of the insurance sector in Tunisia are focused on improving the financial situation of insurance companies, updating the legal and regulatory framework, developing underdeveloped segments (life insurance, agriculture), upgrading insurance companies, opening the sector to competition, and improving the business environment.

Several institutions are engaged in the insurance sector in Tunisia as regulatory entities, but the most important institution is the General Insurance Committee, which is a central administration within the Ministry of Finance. Some experts in the sector point to oversight as an area for potential future reforms.

- The General Insurance Committee aims to protect the policy-holders' rights and safeguard the capacity of insurance and reinsurance companies to meet commitments toward their customers.
- The Tunisian Federation of Insurance Companies is in charge of the study and the defense of the economic and social interests of the profession.
- The Central Office of Rates (Bureau Central des Tarifications - BCT) fixes the insurance premium through which the insurer is required to cover civil liability related to the use of land vehicles with engines.
- The Unified Office for Tunisian Automobile (Bureau Unifié Automobile Tunisien - BUAT) is an association between insurance companies that are allowed to

practice civil liability insurance consequent to the use of land vehicles with engines.

According to (FTUSA) statistics, the penetration rate of the Tunisian insurance sector increased slightly, from 1.77% in 2010 to 1.82% in 2011. The slight increase highlights the sector's low performance and stagnation in the last two years. That said, in 2011 the growth rate in insurance total premiums was 5.13% far higher than the total population growth rate of 1.1%, indicative of an increase in insurance density.

In Tunisia, there are currently 21 insurance companies, including 13 multi-line companies; eight specialized companies – four in life insurance, one in export credit insurance, one in commercial credit insurance, one in reinsurance, and one agricultural insurance. The 21 insurance companies are divided into 17 corporations, three mutual insurance companies and one agriculture mutual fund.

Private companies dominate the market and had a total market share of 64% in 2011, while state-owned companies and mutual companies had respectively 17.9% and 18.1%. According to FTUSA, Tunisia's insurance premiums totaled TND 1.17 billion (\$755 million) in 2011 registering a 5.14% increase compared to 2010.

The most important development that occurred in the sector was the opening of 35% of the stock of the largest state-owned insurer, STAR (Société Tunisienne d'Assurances et de Reassurances) STEF to private investors in 2007. Ultimately, in July 2008 the French mutual insurer Groupama won the bid and paid about \$100 million for its stake.

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Before February 2008, the insurance sector was restricted, preventing foreign insurance companies from doing business in Tunisia unless the majority of the capital was Tunisian held. A 2008 law (Law 2008-8), adopted by the Parliament on February 13, 2008, amended the Insurance Code and stated in Article 50 A that foreign insurance companies no longer require the "Carte Commercant" – a special authorization given by the authorities to foreign companies intending to operate in the service and/or commercial sectors – in order to operate in the Tunisian insurance sector. Foreign equity share restrictions have been eliminated and foreign companies can now establish a commercial presence by setting up a subsidiary (either wholly or partially owned), or by forming a new company, or by acquiring an insurance supplier already established in the country.

However, to be registered in the country, the foreign insurer must receive approval from the General Insurance Committee, which is the most important regulatory agency of the insurance sector in Tunisia. Once approved, foreign insurance suppliers can compete for insurance lines that are required of persons and businesses that reside in the country, and will be treated no less favorably than domestic services suppliers with respect to capital, solvency, reserve, tax, and other financial requirements.

With this liberalization of the insurance sector, Tunisia fulfilled its commitments under the WTO and EU Association agreements and opened up a previously protected sector. This sector presents good opportunities for U.S. companies intending to invest in Tunisia, especially in the segment of non-life insurance.

The January 2011 civil unrest, sporadic labor unrest, and current political uncertainty may increase demand for property insurance. It is unclear whether there has been an increase in demand for commercial insurance or whether foreign underwriters will cover risks associated with civil unrest.

As is the case in the majority of countries in the MENA region, life insurance is significantly underdeveloped because of its non-compliance to Islamic law (Sharia). In fact, the purchase of life insurance products is strongly influenced by perceptions of whether or not the products are compliant with Sharia, and life insurance is perceived to have prohibited elements of uncertainty, gambling, and interest income.

In response to a societal desire to comply with Sharia, Zitouna Takaful – a form of insurance that complies with the principles of Sharia – emerged as an alternative to conventional insurance. Many foreign companies operating or intending to operate in the MENA region are seriously considering it.

The other factor which foreign insurance companies must consider is the limited awareness of life insurance and its benefits among the citizens, which is partly driven by cultural factors, such as the reliance on the extended family network in case of death or disability.

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FTUSA (Tunisian Federation of Insurance Companies)

www.ftusanet.org

INS (Institut National de la Statistique - National Statistics Institute)www.ins.nat.tn

Franchising

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In August 2009, the Tunisian government adopted legislation (Law 2009-69) to regulate domestic trade. The law included a new legislative framework for franchising – a concept that until recently was only granted to businesses on a case-by-case basis. Thanks to this new law, franchises now have the ability to operate like any other foreign business serving the Tunisian market.

In June 2010, the Tunisian government issued a ministerial decree (Law 2010-1501) outlining the provisions of franchising contracts. In July 2010, the then-Tunisian Ministry of Trade and Handicrafts published a sector list in which franchises would need no prior authorization to operate in the Tunisian market.

The list includes retail and distribution activities, tourism, training activities and other economic activities such as breakdown and repair services, beauty and hygiene salons, care services in hotels, and seawater therapy.

Franchises not on the sector list must receive case-by-case approval to operate. The requirement for approval does not mean it will be denied, but is an extra step the franchisee will have to take in order to bring a franchise to Tunisia. The decisions will likely be made by the government weighing local competition and other factors. In early 2013, the Minister of Trade and Handicrafts confirmed the approval of four U.S. franchises Re/Max (real estate), My Gym (gym), Pizza Hut (fast food), and Johnny Rockets (fast food) but none have started operations as of May 2013. The government is considering liberalizing the franchise sector completely, to include all types of franchises.

In conjunction with the adoption of the new franchising law, the Tunisian Franchise Association was created in November 2010. The Tunis Chamber of Commerce and Industry (CCIT), the business arm of the Ministry of Trade and Handicrafts, in partnership with the Mediterranean Chambers of Commerce and Industry (ASCAME) organizes a franchise show in Tunisia every year. The Tunis Med Franchise Show draws the attention of many Tunisian entrepreneurs from all sectors and includes participation from foreign franchisors. The U.S. Embassy had a booth for the second time at the last Tunis Med Franchise Show February 27- March 1, 2013 and featured six U.S. franchises.

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Many Tunisian business groups have already started looking for international franchisors and are confident the market exists for franchises to thrive. Also, some U.S. franchisors have started eyeing the Tunisian market in order to prospect for potential franchisees. U.S. franchises already operating in the Tunisian market include Ramada Plaza Hotels and Dale Carnegie (professional training).

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Tunis Med Franchise Show

www.tunis-medfranchise.com

Agriculture plays a leading role in Tunisia's economy, stimulating rural development, combating migration from rural areas, and improving food security. Approximately one-fifth of the workforce is engaged in agriculture. Agriculture contributes nearly 10.5% to the GDP and the sector is growing at an average rate of 5% per year. Historically, the agricultural system was based on small family farms, growing subsistence crops with little market integration. The majority of Tunisian farmers grow basic rain-fed grain crops (wheat and barley) and production varies significantly depending on rainfall conditions. Livestock and irrigated horticulture crops are well developed but must be frequently supplemented by imports to provide sufficient domestic supply. Tree crops (olive, citrus and dates) are mostly export-driven.

The cereal sector is of strategic importance in Tunisia as wheat is fundamental in the average Tunisian's daily diet. Cereals production extends over one-third of the arable agricultural land (1.4 million HA) and contributes up to 13% of the gross agricultural product. Total cereal production for Marketing Year (MY) 2012 was around 2.2 million metric tons (MT), with wheat production at 1.55 million MT and barley production at about 650,000 MT. In 2012, Tunisian wheat imports reached 1.1 million MT, sourced mostly from EU countries with U.S. market share around 2%. Olive oil production also plays an important economic, social and environmental role with more than 500,000 households depending upon it. Olive oil production for MY 2012/13 is projected to be 220,000 MT, up from 180,000 MT in previous year. In 2012, Tunisia's olive oil exports totaled 153,000 MT with a value of \$375 million.

Agriculture Trade

For the last two decades, Tunisia has been a net importer of agricultural products with a negative food trade balance. In 2012, Tunisia total exports reached \$1.651 billion, while total imports were around \$2.7 billion. Leading agricultural imports in 2012 were wheat (\$520 million), corn (\$267 million), and vegetable oils (\$465 million). The leading exports were olive oil and products (\$287 million), fishery products, dates, and citrus. Tunisia is one of the world's four leading exporters of olive oil, a fact that is largely overlooked as much of its production is exported in bulk to the EU to be refined, bottled, and marketed and re-exported from EU countries (Italy, Spain).

In 2012, U.S. agricultural exports to Tunisia reached \$232 million after an all-time high in 2011, with corn oil, oilseeds, coarse grain, and wheat exports accounting for the bulk of these exports. Tunisia's agricultural exports to the United States increased by 34.8% to \$116 million in 2012 of which \$101 million consisted of olive oil. Tunisian olive oil exports are primarily shipped to the United States with a preferential access under the GSP framework. For 2012, the United States ranked as the second largest destination (after the EU market) for Tunisian olive oil exports, accounting for about 25% of Tunisia's olive oil exports.

Grain Silos/Elevators, Agricultural Equipment

There is a sizable market for agricultural equipment in Tunisia. In addition to a steady demand for grain silos, the Tunisian government decided to subsidize acquisition of

tractors and combine harvesters at levels of up to 25%. This will likely further spur demand for farm equipment and represents a good opportunity for U.S. suppliers.

The Office of Agricultural Affairs (OAA) of the U.S. Embassy in Tunis, Tunisia, is one of the overseas representatives of the Foreign Agricultural Service (FAS) (<http://www.fas.usda.gov>), an agency of the U.S. Department of Agriculture (USDA) (<http://www.usda.gov>)

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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Imported goods in Tunisia can be subject to tariff rates up to 200%, depending on the product. Goods are also subject to a customs formality fee, currently amounting to 3% of the total duties paid on the import. Certain imports are also subject to a value added tax (VAT). Tunisia's basic VAT rates are 18%, 12%, and 6%, with the majority of goods covered by the 18% rate. Recent changes in the calculation of the VAT tax base (cost of the product) have resulted in slightly higher rates for some consumer goods that were previously taxed at 29%. Tunisia calculates VAT on the base price of the goods plus any import duties, surcharges, and consumption taxes. A consumption tax is applicable to certain imported and similar locally produced items. Rates can vary from 10% to as high as 150%. The highest rates are applicable to luxury items such as champagne.

Automobiles with large engine capacity also carry a high consumption tax, with rates rising to up to 200% for gasoline-fueled engines and 267% for diesel-fueled engines even if they are imported via an authorized distributor. Luxury cars currently enter Tunisia through the parallel market and are available for sale at well below the official distributors' prices.

Trade Barriers

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Tunisia is a founding member of the World Trade Organization (WTO). While maintaining restrictions on designated strategic sectors by requiring prior authorization, the Tunisian government has pursued a program of liberalizing imports.

- Approximately 97% of imports do not require prior authorization.

Tunisia still has non-tariff barriers, such as import licenses or quotas on certain products. These particularly apply to consumer goods that compete against locally-produced equivalents manufactured by developing industries or to goods for which domestic production is insufficient. The major categories affected by import restrictions are motor vehicles, in particular passenger cars, and pharmaceuticals. These allotments are based to some extent on the amount of Tunisian-produced automobile components

utilized in the foreign manufacturer's automobile designs. Importers have to request an allotment from the Government of Tunisia in order to receive an import license. This quota system is only for small engine cars; however, in general, individual Tunisian consumers may not import foreign vehicles privately due to strict foreign exchange controls. Although there were announcements in 2011 that the quota would be abolished, the Tunisian government has not yet done so officially.

Working within the letter of WTO requirements, Tunisia vigorously protects its domestic pharmaceutical industry. All pharmaceutical imports are controlled by the Pharmacy Center, a government entity. Several multinationals have complained about the "correlation" system under which, upon request from a Tunisian pharmaceutical manufacturer, the importation of a foreign drug similar to the one produced locally could be banned. The Government of Tunisia issued a circular ending "correlation" effective December 31, 2006. However, this circular is not retroactive; therefore pharmaceutical products on the correlation list prior to December 31, 2006 still cannot be imported.

Inconsistent procedures within the Tunisian Customs Administration can also be a major obstacle for importers. Importers have experienced extended delays in customs clearance due to legally required, but not uniformly invoked, technical and quality control investigations on various items. Government use of non-tariff barriers has sometimes led to the delay or rejection of goods shipped to Tunisia. However, this is not common practice and is not aimed specifically at goods imported from the United States. The 2009 customs code has shortened clearance delays and improved procedures, and was enacted due to pressure by importers.

Agricultural products are generally subject to high import duties and in some cases face other import barriers like quotas. Tunisia often gives preferential tariff rates to agricultural products originating in Arab and North African nations.

Import Requirements and Documentation

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Tunisian law prohibits the export of foreign currency from Tunisia as payment for imports prior to the presentation to a bank of certain documents which serve to confirm that the merchandise has arrived in the country. Usually Tunisian Customs documents serve this purpose. Importers obtain hard currency for payment by presenting the documents to their commercial bank.

- To ensure payment, U.S. exporters have used confirmed, irrevocable letters of credit and letters of credit authorizing "payment against documents" in past transactions.

Other than applicable import license requirements, no specific documentation is required.

U.S. Export Controls

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Relatively few exports require an export license. Licenses are required in certain situations involving national security, foreign policy, short-supply, nuclear nonproliferation, missile technology, chemical and biological weapons, regional stability, crime control, or terrorist concerns. License requirements are dependent upon an item's technical characteristics, the destination, the end-use, the end-user, and other activities

of the end-user, as well as the likelihood that an item will be diverted from its original shipment location or purpose and transshipped to another, unrecorded location. It is the responsibility of the company seeking to do business in Tunisia to determine whether or not an export license is necessary for its product or service. The Department of Commerce Bureau of Industry and Security provides guidance at: <http://www.export.gov/regulation/index.asp>.

Temporary Entry

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Offshore enterprises are allowed temporary entry of goods and equipment without paying duties. Goods are allowed limited duty-free entry into Tunisia for transformation and re-exportation only. Factories set up under this scheme are considered bonded warehouses and have their own assigned customs personnel.

Goods may also be granted temporary duty-free entry for use in trade shows, but the establishment of adequate prior documentation is vital. Otherwise, customs duties may be payable on promotional material of no commercial value.

Labeling and Marking Requirements

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The 1992 Consumer Protection (Law 1992-117) established standard labeling and marking requirements. However, these regulations are not always fully enforced for locally made items produced for the domestic market. The labeling of items produced for export must meet international standards.

Prohibited and Restricted Imports

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Imports of explosives, military-and security-related equipment are tightly controlled and are only allowed under license. Narcotics and pornographic items are strictly forbidden.

Customs Regulations and Contact Information

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The Tunisian Customs website has been updated in order to provide online tariff data. This information is also available to various categories of professionals, including freight companies, who are linked to a specialized Intranet known as Tunisia Trade Net (TTN). The customs authority's website indicates how to access this system.

Tunisia's customs authorities can be contacted as follows:

Direction Générale des Douanes
5 Rue Ichbilila
Tunis – Tunisia
Tel: (216) 71-353-685
Fax: (216) 71-353-257
<http://www.douane.gov.tn>

Standards

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Overview

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Tunisian consumers are gradually becoming aware of their right to expect that the goods they purchase meet certain standards, such as safety. Products available on the flourishing parallel market in Tunisia often do not meet acceptable safety standards.

Standards Organizations

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Tunisia is currently embracing ISO 9001/9002 standards. The National Institute for Standardization and Industrial Property (INNORPI) is responsible for establishing national standards and has instituted ISO 14000 certification procedures. Many firms in the industrial sector have already achieved ISO 9001 or 9002 certification. Tunisian consumers are gradually becoming aware of their right to certain standards.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at <http://www.nist.gov/notifyus/>

Conformity Assessment

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INNORPI is responsible for coordinating the creation of norms and standards related to certification and information, as well as the program of development of technical norms, certification of product quality, and management of national trademarks for conformity.

Product Certification

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INNORPI is responsible for the certification of the quality of products.

Accreditation

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INNORPI is responsible for accreditation.

Publication of Technical Regulations

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INNORPI is responsible for coordinating the creation of norms and standards and information relating to these, as well as the general program of development of technical regulation.

Labeling and Marking

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The 1992 Consumer Protection Law (Law 1992-117) established standard labeling and marking requirements. However, these regulations are not always fully enforced for locally-made items produced for the domestic market. The labeling of items produced for export must meet international standards.

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INNORPI

Headquarters in Tunis: Rue 8451 n° 8 par la rue Alain Savary,

BP 57 – Cité El Khadra – 1003 Tunis – Tunisia

Tel: +216 71 806 758 / Fax: +216 71 807 071

Email: innorpi@planet.tn

Website: <http://www.innorpi.tn>

Sfax Regional Center: 1, rue Bejaya 3000 Sfax - Tunisia

Tel: +216 74 298 223 / Fax: +216 74 211 356

Trade Agreements

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Tunisia's most significant free trade agreement is the free trade agreement in industrialized goods with the European Union, known as the Association Agreement. Tunisia formally ratified its Association Agreement with the EU in June 1996. The free trade zone with the EU was effectively implemented in January 2008 after a gradual lowering of tariffs to zero over a 12-year period. Tunisia received assistance from the EU for its local industries during the transition period. Tunisia and the EU announced their intention to negotiate the liberalization of the services sector and agriculture trade in 2009, but in late 2011 the EU instead announced it would pursue a “deep and comprehensive free trade agreement” with Tunisia in 2012 and 2013.

The Agadir Agreement, a framework for a free trade agreement with Egypt, Jordan, and Morocco signed in February 2004, allows free trade between signatory countries. In addition, Tunisia has a free trade agreement with Algeria and Libya. However, trade with these two countries is still low: 4% and 3%, respectively, in 2012. Tunisia is also a member of the Arab Maghreb Union (UMA), which consists of Tunisia, Algeria, Morocco, Mauritania, and Libya. Although mainly a political organization, the UMA nominally allows duty-free trade among members, although some barriers to trade remain.

Since July 2010, a number of bilateral agreements have been signed to facilitate trade and to guarantee investments and trade in goods. Tunisia and Libya agreed on October 2010 to remove all administrative and financial obstacles that hinder the movement of goods and people. However, after the revolution such movement was routinely disrupted because of security situations at Ras Jedir and Dhiba border crossing points. In 2012, Tunisian exports to Libya increased by 17.2% from TND 1.103 billion (\$707 million) to 1.293 billion (\$828.8 million), and imports increased 14-fold in 2012 over 2011, as a result of the return and the improvement of oil imports after the sharp disruption in 2011 due to the war. Tunisia is a net importer of oil, and before the unrest in Libya, it sourced 25% of its crude oil needs from Libya at a preferential price.

Web Resources

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Tunisian Government (Ministère du Commerce et de l'Artisanat - Ministry of Trade and Handicrafts) www.ministeres.tn
INS (Institut National de la Statistique National Statistics Institute) www.ins.nat.tn
INNORPI (Institut National de la Normalisation et de la Propriété Industrielle - National Institute for Standardization and Industrial Property) www.inorpi.ind.tn
JORT (Journal Officiel de la République Tunisienne - Official Journal of the Republic of Tunisia) www.iort.gov.tn

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The Tunisian Government actively encourages and places a priority on attracting foreign direct investment (FDI) in key industry sectors, such as call centers, 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. Foreign investment in Tunisia is regulated by the Investment Code (Law 1993-120), which was last amended in January 2009. The Investment Code is now under revision, with an aim to foster job creation, reduce regional disparities, and develop infrastructure in the west and south-central regions of Tunisia. The revision of the Code is likely to result in reforms that liberalize the onshore sector and relax requirements for foreign investors.

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.

The 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 (up to 40 years) lease. 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 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.

Privatization

The Government of Tunisia (GOT) allows foreign participation in its privatization program and 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 petroleum distribution, among others.

In March 2011, the GOT issued a decree (Law 2011-13) confiscating the assets of former President Ben Ali and his close family members. The list of assets touches upon every major economic sector. Some of Tunisia's largest companies, such as Zitouna Bank (banking), Karthago Airlines (aviation), Carthage Cement (construction), Tunisiana (telecom), Orange Tunisie (telecom), Bricorama (home goods), Banque de Tunisie (banking), Ennakl (automotive), and Alpha Ford (automotive), were included on the list. Experts estimate that up to \$2 billion worth of Ben Ali assets were leveraged by Tunisian banks.

To date, the GOT has appointed conservators for these companies so that they can continue to operate on a day-to-day basis. According to members of the GOT Commission to Investigate Corruption and Malfeasance, which investigates corruption during the Ben Ali era, a court order is necessary to determine how the frozen assets are handled. Realizing that obtaining a court order could take several years, and facing immediate budget needs, the GOT decided to operate on a case-by-case basis and released calls for bids to privatize its shares in Tunisiana, Ennakl, Carthage Cement, City Cars, and Banque de Tunisie. The GOT did not exclude the possibility of selling shares on the stock exchange. As details unfold, there may be opportunities for U.S. companies to participate in the eventual privatizations. 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.

Prior privatizations included the 2006 TECOM Investments and Dubai Investment Group purchase of a 35% stake, valued at \$2.25 billion, in state-owned Tunisie Telecom. In

July 2008, French company Groupama won a bid to purchase 35% of the Société Tunisienne d'Assurances et de Reassurances (STAR) for around \$100 million. In 2008, the French bank Caisse Générale d'Epargne purchased 60% of the Tunisian Kuwaiti Bank (BTK), valued at \$249 million.

Protected Sectors

Tunisia's investment promotion authorities established a system of regulations that received favorable feedback from established U.S. companies. Nevertheless, there are difficulties, particularly when U.S. companies attempt to launch projects in sectors that the GOT does not actively promote. Until recently, the government discouraged foreign investment in service sectors such as restaurants, real estate, and advertising. Many of these issues are expected to be addressed in the context of ongoing negotiations between Tunisia and the European Union over liberalization of the services sector under the EU-Tunisia Advanced Partner Status Agreement.

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.

Retail

Retail distribution is gradually expanding. French multinational retail chain Carrefour opened its first store in 2001, followed by the entry of French retail company Géant in 2005. Until then, Monoprix, a French grocery franchise, dominated the retail grocery market. Although rioters looted and burned Géant and multiple branches of Monoprix following the overthrow of the Ben Ali regime in January 2011, they have subsequently reopened.

Franchising

In August 2009, the Tunisian government adopted a new law to regulate domestic trade (Law 2009-69), which included a legislative framework for franchising. Until that time, franchise status was only granted to businesses on a case-by-case basis. A July 2010 implementation decree outlined a list of sectors in which franchises would need no prior authorization to operate in the Tunisian market. Sectors not on the list, such as food, real estate, and advertising, still need approval to operate. However, under this new law, many franchises now have the ability to set up shop like any other business serving the Tunisian market. In general, the law is set to encourage investment, create jobs, and boost knowledge transfer. Many Tunisian business groups have already started looking for international franchisors and are confident the market exists for franchises to thrive. However, others are still waiting for the full liberalization of foreign franchises in the food, real estate, and advertising sectors.

Real Estate

Since 2007, there have been numerous announcements of significant Arabian Gulf company investments in the real estate sector, but due to the international economic crisis, some investments have been postponed and cancelled. Sama Dubai, which was set to build the Mediterranean Gate mega-construction project, halted its operations in 2009. Investment has not come to a complete standstill, however. The Bukhatir Group's Tunis Sports City, a sports and recreational complex, as well as Gulf Finance House's Tunis Financial Harbor, are moving forward, albeit slower than planned and with new delays associated with Tunisia's political transformation.

Conversion and Transfer Policies

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The Tunisian dinar (TND) is not a fully convertible currency, and it is illegal to move dinars into or out of the country. Although it is convertible for current account transactions (i.e. most bona fide trade and investment operations), Central Bank authorization is needed for some foreign exchange operations. Prior to the 2011 revolution, the GOT had publicly committed to full convertibility of the dinar by 2014. This timeline is now widely regarded as unrealistic given Tunisia's political transition and other more pressing financial sector reforms.

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 capital, and
- Capital financed by imported foreign currency.

Foreign investors may transfer returns on direct or portfolio investments 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 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 and exchange for Tunisian dinars. Amounts exceeding the equivalent of TND 25,000 (\$16,150) 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 (\$3,250). Tunisian customs authorities may require currency exchange receipts on exit.

The Tunisian dinar is pegged to a basket of currencies, using weights that reflect the 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 and the Central Bank publishes a daily currency report. The Central Bank can intervene in the market to stabilize the currency. The Tunisian Dinar follows a managed floating exchange rate regime and is officially convertible for current account transactions. In 2012 (through November), year on year, the TND depreciated 6.791% against the U.S. dollar and 1.544% against the Euro.

On May 27, 2013, the Central Bank announced that foreign currency reserves cover 95 days of imports, down from 115 days at the end of 2012.

Expropriation and Compensation

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The Tunisian Government has the right to expropriate property by eminent domain; there is no evidence of consistent discrimination against U.S. and foreign companies or individuals. There are no outstanding expropriation cases involving U.S. interests and such cases are rare. No policy changes on expropriation are anticipated in the coming year.

Dispute Settlement

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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 a 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 based upon the French Napoleonic code. There are adequate means to enforce property and contractual rights. The Tunisian constitution guarantees the independence of the judiciary and courts generally handle commercial cases objectively, however, some legal experts caution that Tunisian courts remain susceptible to political pressure.

The Tunisian Code of Civil and Commercial Procedures does allow for the enforcement of foreign court decisions under certain circumstances. Commercial disputes involving U.S. firms are infrequent.

Performance Requirements and Incentives

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Performance requirements are generally limited to investment in the petroleum sector or, more recently, in the area of private sector infrastructure development. 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, the preferential status (offshore, free trade zone) conferred upon some investments is linked to both percentage of foreign corporate ownership and limits on production for the domestic market.

The Tunisian Investment Code and subsequent amendments provide a broad range of incentives for foreign investors, which include 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. With the ongoing review of the Investment Code, further incentives may be added to attract foreign investment to Tunisia.

In April 2011, the Tunisian government's Foreign Investment Promotion Agency (FIPA) announced a series of new incentives to draw investment to Tunisia's interior regions.

These incentives extended 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 are able to 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% investment subsidy on the total value of the investment (up to \$230,000 in general; \$715,000 in priority regional development areas).

For labor costs, the Tunisian government also assumes up to 16% of social security costs for the first seven years of the investment for new college graduates employed, with an extension of up to 10 years for investments in the interior regions. FIPA also announced a \$178 per month stipend provided to the company by the Tunisian government for every college graduate hired, plus a credit for 50% of training costs, with a total \$178,000 ceiling. In September 2012, the GOT announced it had hired 61,000 new public servants in the first six months of 2012 and would hire an additional 31,000 by the end of the year. It also stated it would provide start-up micro-capital for projects that had a job creation component.

Large investments with high job creation potential may benefit, under certain conditions determined by the Higher Commission on Investment, from the use of state-owned land for a symbolic Tunisian dinar (less than \$1). Investors who purchase companies in financial difficulty 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, and research and development in technological fields.

Further benefits are available for investments of a specific nature. For example, companies producing at least 70% for the export market 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 companies resident in Tunisia face a number of restrictions related to the employment and compensation of expatriate employees. 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, a foreign resident company that has brought in an accountant would have to document that the service was necessary, fairly valued, and unavailable in Tunisia before it could receive authorization to transfer payment from its operations in Tunisia. This regulation prevents a foreign resident company from paying for services performed abroad.

According to the World Bank report "Doing Business 2013," Tunisia's overall ranking dropped to 50 out of 185 countries, falling five spots from 45 out of 185 in 2012. The

largest drop for Tunisia (12 spots) was in “Starting a Business,” in which there were more difficulties noted regarding the number of procedural requirements, delays in starting a business, and higher start-up costs.

For U.S. passport holders, a visa is not necessary for stays of up to three months; however, a residence permit is required for longer stays.

Right to Private Ownership and Establishment

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Tunisian government actions clearly demonstrate a strong preference for offshore, export-oriented FDI. Investors in that category are generally free to establish and own businesses, and to engage in most forms of remunerative activity. Investment which competes with Tunisian firms, on the Tunisian market, or which is seen as leading to a net outflow of foreign exchange, may be discouraged or blocked.

Acquisition and disposal of business enterprises can be complicated under Tunisian law and depends on the nature of the contract specific to the proposed transaction. Disposal of a business investment leading to reductions 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 it is an industry subject to limits on foreign equity shareholding (such as in the services sector).

Protection of Property Rights

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Secured interests in property are both recognized and enforced in Tunisia. Mortgages and liens are in common use. Tunisia is a member of the World Intellectual Property Organization (WIPO) and has signed 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). Foreign patents and trademarks should be registered with INNORPI.

Tunisia's patent and trademark laws are designed to protect only owners duly registered in Tunisia. In the area of patents, U.S. 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. New legislation now permits customs officials to inspect and seize goods if copyright violation is suspected.

The new Customs Code, which went into effect on January 2009, allows customs agents to seize suspect goods in the entire country for products under foreign trademarks registered at INNORPI. Tunisian Copyright Law (Law 1994-36) has been amended (Law 2009-33), and includes 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, and there is evidence of significant retail sale of illegal products in these media. Illegal copying of software and entertainment CDs/DVDs is widespread.

Although the concept and application of intellectual property protection is still in the early stages, the government is making an effort to build awareness and has increased its enforcement efforts in this area. These efforts have led a major supermarket chain to halt the sale of pirated audio and video goods. A U.S. government-backed initiative, managed by the Department of Commerce in conjunction with United States Patent and Trademark Office (USPTO), provides training for Tunisian officials in the field of IPR regulation enforcement. The GOT has announced that new IPR legislation is being drafted that will improve enforcement capabilities and strengthen punishment for offenders.

Transparency of Regulatory System

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While the Tunisian government has adopted policies designed to promote foreign investment, some aspects of existing tax and labor laws remain impediments to efficient business operations. Some bureaucratic procedures, while slowly improving in some areas, remain cumbersome and time-consuming. 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. These cumbersome procedures are not limited to foreign investment and also affect the domestic business sector.

The World Bank's "Doing Business 2013" report ranked Tunisia 50, down five places compared to 2012. Despite the lower ranking, Tunisia remained the highest-ranked country in North Africa for the ease of doing business.

Efficient Capital Markets and Portfolio Investment

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The bank-dominated structure of Tunisia's financial system remains an impediment to faster economic growth and stronger job creation. Banks account for roughly 90% of financing in Tunisia, with the small stock market providing 6-7% of total financing. Other mechanisms such as bonds, private equity, and microfinance, account for a marginal contribution to the overall financing of the economy. Although the financial system has 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 29 banks, of which 18 are universal banks (serving as both commercial and investment banks), eight are offshore, two are business banks, and one is an Islamic bank. Although some bank branches were damaged during civil unrest in December 2010 and January 2011, the impact of this damage on the banking sector was minimal. 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. The final disposition of the assets of the former president and his family will be decided by Tunisian courts.

Despite government reforms to fight corruption and reform the sector, small firms often have difficulty accessing capital. Private credit as a share of GDP stands at 65% in Tunisia, which lags behind economic peers such as Morocco and Jordan, where the rate is 80% according to the World Bank. As noted above, the World Bank's 2013 "Doing Business Survey" ranks Tunisia 50th overall, but the report places Tunisia 104th in terms of ease of access to credit.

Tunisia's banking system suffers from a legacy of structural problems exacerbated by the challenges of the Tunisian revolution and Europe's economic downturn. Tunisia is overbanked, with 21 onshore banking companies offering essentially identical services to an identical segment of Tunisia's relatively small market.

Government regulations hold down interest rates, which prevent banks from pricing their loans appropriately and gives bankers incentives to restrict credit provision through other means. While competition has the effect of lowering observed interest rates, banks often place conditions on loans to borrowers that impose far higher costs than interest rates alone would suggest. Frequently, these non-interest costs include massive collateral requirements, which normally come in the form of real estate and often equal or exceed the principal of the loan. Collateral requirements are often high because banks face difficulty using regulations to reclaim their collateral, thereby adding to banking costs.

The post-revolution economic disruptions and the economic downturn in Europe have exposed bad loans to regime insiders, increased loan losses, and choked off liquidity. Ben Ali's departure has brought to light a large number of questionable loans made to regime insiders, which the Central Bank estimated in 2011 amount to roughly \$2 billion. According to official figures, the sharp increase in nonperforming loans (NPLs) in 2010, along with the events that took place in Tunisia in 2011 after closing the financial year, were reflected in the quality of banks' portfolio. In effect, the outstanding balance of NPLs increased in 2010 by 17.2% or TND 927 million (approximately \$600 million), 49% of which was attributable to businesses tied to the former regime. Because of the sharp increase in loans, the NPL ratio fell to 13% in 2011, but rose again to 19% in October 2012, reaching TND 10 billion (\$6.451 billion). In 2011, the Central Bank decreased banks' reserve requirement ratio three times (from 12.5% down to 2.5%) in order to provide enough financing to the economy and prevent liquidity squeeze at banks. In August 2012, the Central Bank increased the interest rate 25 basis points to 3.75% in an effort to contain inflation. Although in recent years the government has undertaken a number of bank privatizations and consolidations, the GOT remains the controlling shareholder in 10 of the 20 major banks. In June 2011, the estimated total assets of the country's five largest banks were nearly TND 29 billion (\$19.77 billion). Foreign participation in their capital has risen significantly and is now well over 20%.

Stock Market

The stock market is the second largest financing mechanism in the Tunisian economy. Tunisia's stock market "Bourse de Tunis" is under the control of the state-run Financial Market Council and lists 60 companies, and trading volumes are exceptionally low. On November 30, 2012, the stock market capitalization of listed companies in Tunisia was valued at \$9.1 billion, approximately 20% of 2012 GDP, down 2.32% from \$9.3 billion in 2011.

In the last five years, regulatory and accounting systems have been brought more in line with required international standards and most of the major global accounting firms are represented in Tunisia; however, this has not resulted in a significant increase in companies listing on the stock exchange. Despite government tax incentives to encourage companies to join the exchange, they remain modest and the accompanying accounting requirements to list on the exchange exceed what most Tunisian firms can, or are willing, to provide. Tunisian firms listed on the stock exchange are required to publish semiannual corporate reports audited by a certified public accountant. Capital controls are still in place and foreign investors are permitted to purchase shares in resident firms (through authorized brokers) or to purchase indirect investments through established mutual funds.

Other Financing

In addition to the traditional banks and the stock market, there are few effective financing mechanisms in the Tunisian economy. There is essentially no bond market in Tunisia, government debt is sold to financial institutions and is not re-traded on a formal and transparent secondary market. Private equity remains a niche element in the Tunisian financial system because firms have difficulty raising sufficient capital, sourcing their transactions, and selling their stakes in successful investments once they mature. Many of the private equity firms in Tunisia do the lion's share of their business elsewhere in Africa. Although the GOT issued a decree (Law No. 2011-117) to promote microfinance by allowing more microfinance institutions to provide micro credits, it remains underexploited, with non-governmental organization Enda Inter-Arabe the dominant lender in the field.

The GOT has taken steps to create mechanisms for foreign investment in Tunisia. In June 2009, the GOT passed legislation addressing access to financial services for non-residents (Law 2009-64). Financial authorities aimed to address regulatory gaps in the existing system by giving an appropriate framework for financial transactions between non-residents, introducing new financial tools attractive to foreign investors, defining new rules for monitoring, and supporting the creation of the Tunis Financial Harbor project (a \$3 billion Bahraini project inaugurated in June 2009 and envisioned to include banks, real estate firms, investment companies, commercial centers, housing units, and tourism areas). The code allows non-resident individuals or companies to use financial products and services as well as perform other relevant financial operations. Non-resident financial service providers may, in some cases and under certain conditions, provide services to residents. Regarding financial products, the code distinguishes between two types: securities and financial contracts. Both must be issued in Tunisia or negotiated on a foreign-regulated market member of the International Securities Commissions Organization.

Concerning financial service providers, the code established two categories regarding of activities: banking (deposits, loans, payments and exchange operations, acquisition of capital in operating companies or companies in current creation) and investment services (reception, transmission, order execution, and portfolio management). Non-resident financial entities, namely lending institutions authorized to act as banks, investment companies, and portfolio management companies, are considered by the code non-resident investment service providers.

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 financial institution, TND 7.5 million (\$4.84 million) for an investment company, and TND 250,000 (\$161,300) for a portfolio management company.

Competition From State Owned Enterprises

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Since the implementation of the IMF Adjustment Program at the end of 1986, Tunisia has undertaken many reforms aimed at limiting the state's intervention in economic activities in the domestic market. These reforms have centered on:

- Re-structuring of 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 European Union), and establishing bilateral and/or multilateral free-trade agreements with Arab countries such as Morocco, Egypt, Jordan, Libya, and Algeria. However, imports of the most basic products such as cereals, sugar, oil, and steel have remained under the control of State-Owned Enterprises (SOE) due to their socio-economic impact and to protect against inflation.
- Providing incentives to the private sector through a unified investment code for public and private enterprises, reforms in financial and tax systems, trade policy reforms, and privatization of a number of sectors, such as telecommunications.

SOEs are active in many sectors and compete alongside private enterprises (such as the telecom and insurance sectors). However, SOEs retain monopoly control in other sectors considered sensitive by the government, such as railroad transportation, water and electricity distribution, postal services, and port logistics. In these companies, senior management is appointed by the GOT and reports to the respective minister. The board of directors is 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 their capital is publicly traded on the stock market or not.

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

Corporate Social Responsibility

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The concept of corporate social responsibility is developing progressively through governmental campaigns but has not yet taken firm hold in Tunisia. The most successful campaigns to date have focused on preserving the environment, energy conservation, and combating counterfeiting.

To date, most corporate social responsibility initiatives come from foreign multinationals that incorporate Tunisia into worldwide campaigns. Examples include supporting an educational program related to children's nutrition, supporting a clean water initiative,

and creation of a program aimed at discouraging emigration of skilled workers from Tunisia. Such programs are viewed favorably by the GOT.

Political Violence

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Tunisia has a history of stability, and 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.

Immediately after his departure, there was looting and damage to holdings of the Ben Ali extended family network, including grocery chains, individual residences, and other symbols of the Ben Ali clan. There were also reported cases of looting and property damage to companies unaffiliated to the former ruling family. American companies were not specifically targeted, but many reported some temporary disruption to their operations; they returned to prior levels of activity within one week. The military led security force efforts to quickly quell the violence and looting.

One government official noted that up to 10-20% of businesses had been directly or indirectly impacted due to disruptions in port operations, customs, and transportation networks in the weeks after the revolution. The government enacted a series of assistance measures designed to compensate companies who suffered losses due to the civil unrest.

The security situation in Tunisia remains unpredictable as demonstrations and other incidents generally related to domestic political concerns can occur. On September 14, 2012, a violent mob attacked the U.S. Embassy and American Cooperative School in Tunis, causing extensive damage to both facilities. Tunisian security forces have noted the increased availability of small arms and other weapons in Tunisia since 2011. There have been occasional clashes between armed groups, resulting in casualties and the declaration of temporary curfews.

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

Corruption

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

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

foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

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

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

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

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

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

business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

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

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

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

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

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

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

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

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

Tunisia Corruption Climate

Anecdotal reports from the Tunisian business community and U.S. businesses with regional experience suggest that corruption exists, but is not as pervasive as that found in neighboring countries. Most U.S. investors report that corruption involving routine procedures for doing business (customs, transportation, and some routine bureaucratic practices) may exist, but does not pose a significant barrier to doing business in Tunisia. Transparency International's (TI) Corruption Perceptions Index (CPI) 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." Tunisia's ranking among all countries listed on the CPI has steadily improved, indicating a decrease in perceived corruption: from 59 in 2010, to 73 in 2011 and 75 in 2012. At the regional level, Tunisia is ranked 9th among MENA countries, before its direct competitor, Morocco (10), and its neighbors Algeria (11) and Libya (17).

Most U.S. firms involved in the Tunisian market (generally in the offshore sector) have not identified corruption as a primary obstacle to foreign direct investment. Some potential investors have asserted that in the past, unfair practices and corruption among prospective local partners had delayed or blocked specific investment proposals, and that cronyism or influence peddling had affected some investment decisions. There used to be the perception that any successful business venture could be encroached upon by members of the former ruling family, which affected domestic investment rates.

Tunisia's penal code devotes 11 articles to defining and classifying corruption and to assigning corresponding penalties (including fines and imprisonment). Several other legal texts also address broader concepts of corruption including violations of the commercial or labor codes, which range from speculative financial practices to giving or accepting bribes. Detailed information on the application of these laws or their effectiveness in combating corruption is not publicly available. There are no statistics specific to corruption. The government created the Independent Commission to Investigate Corruption in 2011, which focused on previous abuses of power. Before the Commission's establishment, the Tunisian Ministry of Commerce published information on cases involving the infringement of the commercial code, but these incidents 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, ensuring that price controls are respected, enhancing commercial competition in the domestic market and harmonizing 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 of major government contracts. The government publicly supports a policy of transparency and has called for it in the conduct of privatization operations. 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. Pursuant to the FCPA, the U.S. Government requires that American companies requesting U.S. government advocacy support with foreign states certify not to participate in corrupt practices.

Anti-Corruption Resources

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

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html. See

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

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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A Trade and Investment Framework Agreement (TIFA) between Tunisia and the United States was signed in 2002 and three TIFA Council meetings have taken place, most recently in March 2012. 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 has concluded bilateral trade agreements with approximately 81 countries, including its neighbors Libya and Algeria. In January 2008, Tunisia's Association Agreement with the EU went into effect, eliminating tariffs on industrial goods with the eventual goal of creating a free trade zone between Tunisia and the EU member states. Tunisia is currently negotiating services and agriculture provisions with the EU after being approved for Advanced Partner status in November 2012. In addition, Tunisia is a signatory of the multilateral agreements with the Multilateral Investment Guarantee Agency (MIGA). 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 a bilateral agreement with Turkey.

OPIC and Other Investment Insurance Programs

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OPIC is active in the Tunisian market and provides political risk insurance and other services to a variety of U.S. companies. OPIC has also designed a number of investment funds that include Tunisia. These funds, among other sectors, cover renewable energy, franchising, and small and medium enterprise development. OPIC supports private U.S. investment in Tunisia and has sponsored several reciprocal investment missions. The 1963 OPIC agreement with Tunisia was revised and signed in February 2004.

Labor

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Tunisian labor is readily available. Tunisia has a labor force of approximately 3.9 million and a national literacy rate of about 78%. Around 90% of the work force under 35 is literate. The 2012 official unemployment rate is 17%. This figure reaches 25% to 35% among university graduates, although some experts believe it is as high as 40%. Nearly 27% of Tunisian women, many of them holding advanced degrees, are unemployed. The official employment rate does not count underemployment and does not disaggregate geographically, which would show a distortion favoring the coastal tourist regions over central and southern Tunisia. Unemployment is Tunisia's most pressing economic issue.

Nearly 80,000 new jobs must be created each year to keep unemployment at current levels. Sustained annual GDP growth of about 8-9% would be required in order to make significant inroads into chronic unemployment. The structure of the workforce has remained stable over the past 20 years (19% agriculture, 32% industry, and 49% commerce and services). Tunisia has been successful in developing the industrial sector and creating employment for low-skilled jobs, but has not been able to keep up with new educated entrants into the job market.

The right to form a labor union 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) and the two new 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 the January 2011 change in government, labor groups have called for reform in labor laws and have increased demands on employers. The latest wage increase (6%) agreement was signed in December 2012 for the public and private sectors. In the meantime, an emboldened labor movement has increased its demands for private sector reforms. The private sector saw a proliferation of wildcat strikes in the first half 2011, but the labor movement's approval of governments formed by Prime Minister Caïd Essebsi in 2011 and Prime Minister Jebali in 2012 appeared to reduce the momentum of such actions. However, as recently as December 2012, labor unrest was still an issue.

The official minimum monthly wage in the industrial sector is 259.47 TND (\$167.40) for a 40 hour week and 301.8 TND (\$194.70) for a 48 hour week.

Foreign Trade Zones/Free Trade Zones

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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. Companies established in the free trade zones, officially known as "Parcs d'Activités Economiques," are exempt from most taxes and customs duties and benefit from special tax rates. Goods are allowed limited duty-free entry into Tunisia for transformation and re-export. Factories are considered bonded warehouses and have their own assigned customs personnel.

However, 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.

Foreign Direct Investment Statistics

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Foreign direct investment inflows for the first eleven months of 2012 increased 29.2% compared to the same period in 2011, but decreased 9.2% compared to the same period in 2010 due to the political transition and Tunisia's downwardly-revised credit ratings by major agencies.

Total foreign investment during the first eleven months of 2012 was TND 1.887 billion (\$1.217 billion), which represents a 26.6% increase compared to the same period last year. This increase in foreign investment is the result of a 29.2% increase in foreign direct investment, TND 1.809 billion (\$1.167 billion) in 2012 up from TND 1.4 billion (\$900 million) in 2011, and a 13.7% decrease, in portfolio investment, TND 77.6 million (\$50 million) in 2012 down from TND 89.9 million (\$58 million) in 2011. This timid increase of total foreign investment in 2012 is attributable to the slight improvement of the investment climate and security situation of the country compared to 2011, but is still below 2010 results; major economic sectors have registered lower FDI flows in 2012

than in 2010, such as tourism and real estate (-12%), industry (-20%), and energy (-6%). The only sector where FDI flows increased more than in 2010 is agriculture (+77%).

According to GOT statistics for 2011, 3,102 foreign or joint capital companies are operational in Tunisia and employ 324,730 people. Foreign investments generate about one-third of exports and one-fifth of total employment. In recent years, however, 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) and 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, Eurocast, SEA Latelec).

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

Web Resources

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

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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Tunisian law strictly prohibits the export of currency from Tunisia as payment for imports prior to the presentation of certain documents establishing that the merchandise has arrived in Tunisia.

U.S. exporters have successfully used confirmed, irrevocable letters of credit and letters of credit authorizing "payment against documents" in past transactions.

How Does the Banking System Operate

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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 April 2013, a ministerial council presided by the Prime Minister decided to launch a thorough audit of the three state-owned banks (BH, BNA and STB) in May 2013. The results of the audit will help the government decide on the merger and recapitalization of the three banks.

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 U.S. banking regulations would allow, but show continued progress in reducing the level of non-performing loans, (NPL). Loan loss provisions continue to absorb a large part of pre-provision operating profits. One of the aftereffects of the Tunisian revolution may be a negative impact on the NPL ratio, as over \$2 billion in assets of the former ruling family were tied up in Tunisian banks. According to official figures, NPL ratio reached 19% in October 2012 about \$6.451 billion).

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

Foreign-Exchange Controls

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The Tunisian dinar is convertible for current account transactions. Companies or individuals engaging in foreign trade can apply to the Central Bank for a convertible currency account.

- Foreign investors may freely repatriate profits and proceeds from the sale of equity, but other transfers may be subject to Central Bank authorization.
- Most trade-related transactions are conducted through letters of credit without difficulty.

Royalty payments must be approved by relevant government ministries in consultation with the Central Bank on a case-by-case basis (the Central Bank announced royalties for franchise operations would be approved). Royalty rates reflect the estimated value of the technology involved and the duration of the particular contract.

U.S. Banks and Local Correspondent Banks

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Citibank, the only U.S. bank operating in Tunisia, has both onshore and offshore branches, with offices in Tunis and Sfax. The bank deals with onshore corporate clients only.

Most Tunisian banks maintain a correspondent bank relationship with one or more U.S. banks. Several of them also work with Western Union and Moneygram for the transfer of funds into and out of Tunisia.

Project Financing

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Financing is generally available for established borrowers. Tunisian banks are conservative and often reluctant to deal with newer firms, but it is rare for an enterprise to fail due to lack of financing. Bankers have described the Tunisian market as one where the supply of short-term commercial credit has exceeded demand, although there is a lending gap for small and medium businesses which do not have land or adequate collateral. Private equity and microfinance are also underdeveloped in Tunisia, which results in limited financing options for entrepreneurs and businesses.

Financing facilities are available from the Export-Import Bank of the United States (Ex-Im Bank) for U.S. exporters in Tunisia. While lending has focused largely on transactions with state enterprises, Ex-Im Bank is seeking greater involvement with the private sector in Tunisia. U.S. companies competing for government tenders are advised to work closely with the Embassy and Ex-Im Bank once evidence of a foreign competitor's ability to obtain concessionary financing becomes clear.

Excellent financing terms offered by European suppliers remain an obstacle for U.S. companies. However, Ex-Im Bank will strive to match concessionary financing from foreign competitors' governments.

The Overseas Private Investment Corporation (OPIC) announced in March 2011 a \$2 billion fund covering the Middle East and North Africa region. Various funds managed or co-managed by OPIC cover specific sectors, such as SMEs and renewable energy. OPIC will launch a \$30 million franchising facility that will provide working capital to Tunisian franchisees interested in working with American, European, and Tunisian franchisors. Ultimately these franchises will create an estimated 10,000 local jobs for Tunisians. OPIC is also providing U.S. companies with incentives to invest in Tunisia's renewable energy sector, notably wind and solar. In addition, OPIC recently approved \$52.5 million in financing to Tunis-based Tuninvest for their Maghreb Private Equity III fund.

U.S. companies can also approach the U.S. Embassy Commercial Liaison with the African Development Bank (AfDB) to learn about how to get involved in AfDB projects throughout the entire continent. While AfDB's main goal is infrastructure development, there are opportunities across a variety of sectors and in both private and public projects. According to the AfDB's "Tunisia Country Strategy Paper 2012-2013", the bank's strategy in Tunisia builds on two pillars: (i) Growth and Economic Transition; and (ii) Inclusion and Reduction of Regional Disparities.

Recent AfDB assistance to Tunisia includes a \$28.35 million agriculture project, a \$1 million e-government and open government project, a \$496.92 million for the Economic Recovery and Inclusive Development Support Program (PARDI), and a \$41.6 million waste water treatment project for agriculture.

The U.S. Trade and Development Agency (USTDA) has also assisted U.S. firms seeking contracts in the Tunisian market. USTDA's services in recent years have included feasibility study funding, conditional training grants, and trade development missions. In November 2011, USTDA sponsored a Maghreb Solar Reverse Trade Mission which included Tunisia, Algeria, and Morocco. Tunisia participated with a delegation of six government officials.

The United States through the Agency for International Development (USAID) has capitalized a U.S.-Tunisian Enterprise Fund (\$20 million) that will invest in the small and medium enterprises that are the engines of sustainable job creation in Tunisia. USAID is also planning a major economic growth project in Tunisia's information and communications technology (ICT) sector to support small and medium enterprise development, as well as skills training and placement into local ICT firms. It will create mutually beneficial linkages with the U.S. private sector by certifying Tunisians in Microsoft and Oracle systems.

The World Bank International Bank for Reconstruction and Development (IBRD) supports a variety of projects in Tunisia. IBRD efforts are focused on several areas including the environment, the financial sector, privatization and industrial restructuring, the road network, dams, and irrigation. In 2012, the IBRD approved a \$45.9 million to the Tunisian Central Bank aiming at improving micro, small, and medium-sized businesses' access to financing.

The European Investment Bank (EIB) approved in December 2012 the \$131.94 credit line “PG VI Tunisia” to finance small and medium-scale projects carried out by SMEs. The bank also approved in the same period a \$263,48 million credit line called “Tunisia VI Global Loan” intended to continue providing, through selected financial intermediaries, long-term finance for new investments and for the extension, modernization or rehabilitation of projects carried out by private Tunisian companies operating in all industrial and services sectors.

The European Bank for Reconstruction and Development (EBRD) began investing in Tunisia in September 2012, responding to calls from the international community. The EBRD will focus on supporting private companies, with a focus on SMEs, restructuring and strengthening the financial sector, promoting energy efficiency and a sustainable energy sector, as well as facilitating non-sovereign financing for the infrastructure. EBRD invested \$20 million in the Maghreb Private Equity Fund III (MPEFIII) to support the development of the private equity sector in Morocco and Tunisia. Tunisia has become a member of EBRD in December 2011 as part of the process of becoming recipient of EBRD investments. Tunisia is also the first country in the southern and eastern Mediterranean (SEMED) region where the EBRD has opened a permanent local office.

U.S. companies participate in World Bank-financed projects in Tunisia but are sometimes barred from participating in EU-funded projects.

For information about AfDB projects, please email afdbcommercialiaison@state.gov

Web Resources

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| | |
|---|---|
| Export-Import Bank of the United States Country Limitation Schedule | http://www.exim.gov http://www.exim.gov/tools/countrylimitationschedule/ |
| Overseas Private Investment Corporation (OPIC) | http://www.opic.gov |
| Trade and Development Agency | http://www.tda.gov/ |
| Small Business Administration (SBA)'s Office of International Trade | http://www.sba.gov/oit/ |
| United States Department of Agriculture (USDA) Commodity Credit Corporation | https://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc |
| U.S. Agency for International Development | http://www.usaid.gov |
| African Development Bank | http://www.afdb.org |
| Central Bank of Tunisia | www.bct.gov.tn |
| Association of Tunisian Banks | http://www.apbt.org.tn/ |
| Citibank Tunis | http://citigroup.com/citi/about/countrypresence/tunisia.html |

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Chapter 8: Business Travel

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Business Customs

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Tunisia is an open society that prides itself as a bridge between Europe and the Arab World. Most Tunisian business practices resemble those in Europe.

- The official language in Tunisia is Arabic but French is widely spoken and serves as the common business language. An increasing number of Tunisians also speak English.
- The business environment is formal. Business suits are recommended.
- U.S. business representatives should always have business cards available.

Exchange of inexpensive gifts is common practice. U.S. business representatives should not proffer high-value items.

Travel Advisory

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See Tunisia's Country Specific Information web page at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1045.html

Visa Requirements

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U.S. business travelers generally do not need a visa if they plan on staying in Tunisia less than four months. If a traveler wishes to live and work in Tunisia, they must present themselves at their local police station to obtain a residency card. They may then present the residency card to the Ministry of Social Affairs in order to obtain a work permit. The Ministry of Investment and International Cooperation can help expedite the residency and/or work permit process for foreign investors. By law, these permits are valid for only one year, renewable for one additional year upon application. In practice, this limitation is rarely enforced and expatriate residents routinely stay in Tunisia beyond the two-year maximum, renewing their permits annually. Embassy Tunisia is committed to facilitating valid business travel by qualified Tunisian nationals to the United States.

Generally, travel that qualifies for a business (B-1) visa includes consultations with business associates; attendance at scientific, educational, professional or business conventions, or conferences on specific dates; contract negotiations or participation in short-term training. Applicants are encouraged to apply well in advance of intended travel. Embassy Tunis' website outlines the non-immigrant visa application process, and offers links to the required online forms and appointment system.

U.S. Companies that require travel of foreign businesspersons to the United States should also advise them to review the following links:

State Department Travel Website: <http://travel.state.gov>

Telecommunications

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Access to high quality telecommunications services, particularly high-speed/high capacity data transmission and the Internet is becoming more widely available. Tunisia uses GSM cellular phone technology although 2G and 3G network service is available. Many U.S. cellular services provide roaming service in Tunisia and U.S. blackberries generally work. International calling cards do not work in Tunisia.

Five private Internet Service Providers (ISPs) are licensed by the Government of Tunisia. Broadband connections have recently been made available to private customers. As of March 2012, it is estimated that there are 4.2 million Internet users in Tunisia, but only 607,142 actual Internet subscribers.

- ISPs can only access the internet via the state Tunisian Internet Agency (ATI). During the Ben Ali regime, this agency blocked access to numerous sites that it considered dangerous to national security, damaging to moral values, or critical of the government. Blocked sites included pornography and incitements to extremism, but also those of opposition political parties and international human rights groups, as well as some major commercial sites such as YouTube. The revolution and accompanying acknowledgment that freedom of expression is one of the basic rights of the Tunisian people, resulted in lifting of censorship on most internet sites. Pornographic sites remain blocked.

Voice-Over Internet Protocol (VOIP) is permitted in Tunisia only to pre-approved corporate entities and not individuals. Although use of certain VOIP technologies downloaded abroad, such as Skype, MagicJack, or Vonage, is permitted, independent VOIP providers outside of the three existing telecom licensees (Tunisie Telecom, Tunisiana, and Orange) cannot legally operate. Among the expected reforms is a relaxation of this restriction, although the Tunisian government had not made any official announcements as of May 2013.

Transportation

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Tunisia has a relatively well-developed infrastructure that includes six commercial seaports and seven international airports. The tender to build a new deep-water port in Enfidha has been issued although some experts claim that due to environmental reasons, the site is not cost feasible. A plan to develop a deep-water port in the

Northern City of Bizerte is still under consideration by the government. Construction of the first part of the new international airport in Enfidha has finished. The principal airport in Tunisia is Tunis-Carthage International Airport, situated 10 kilometers from the capital. There are seven other international airports: Monastir-Habib Bourguiba, Djerba-Zarzis, Tozeur-Nefta, Sfax-Thyna, Tabarka, Gafsa-Ksar and the most recent, Enfidha International Airport.

Over 95% of Tunisian foreign trade is conducted by sea. Tunisia has a number of principal trading ports: Tunis-La Goulette, Sousse, Sfax, Gabes, Skhira, Bizerte, Rades, and Zarzis. The port of Skhira specializes in the transport of petroleum. The ports of Bizerte and Zarzis have free trade zones. A state enterprise called CTN (Compagnie Tunisienne de Navigation) is the main shipping company in Tunisia. The Tunisian Port Authority (Office de la Marine Marchande et des Ports - OMMP) oversees management of ports. The main container port at Rades/Tunis handles most incoming and outgoing sea-freight traffic. Sfax, Tunisia's second largest city and a large commercial center, can also handle a limited amount of container traffic.

The railway network is operated by a public sector company called Société Nationale des Chemins de Fer Tunisiens (SNCFT), and a light metro railway operator, Société de Transport de Tunis (TransTu). TransTu runs the public urban railway and bus transport system in the city of Tunis.

The road network is fairly well developed. Major highways have been constructed or are in the planning stages to link the major coastal population centers, southwards towards the Libyan border, and westwards from Tunis to the border with Algeria.

Although overall road and telecom infrastructure in Tunisia is developed, some regional discrepancies exist. Rural areas in the south and central areas of Tunisia are still behind the development of major urban centers on the coast. In early 2011, the Tunisian Government indicated it would focus on improving infrastructure in these areas.

Language

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The official language in Tunisia is Arabic, but French is widely spoken, especially in business. Many Tunisians also speak English, Italian, and German.

Health

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Except when specialized care is required, most illnesses can be treated locally. Hospitals and clinics in Tunis and other major urban centers are comparable to Western standards and feature Western-trained physicians. Food standards are fair and the water in the coastal area is potable. For those who prefer bottled water, it is inexpensive and readily available.

Local Time, Business Hours, and Holidays

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Tunisia is GMT+1.

Business hours are:

Government

| | | |
|---------------|-----------|---------------------------------|
| <i>Winter</i> | Mon-Thurs | 08:30 – 12:30 and 13:30 – 17:30 |
| | Friday | 08:00 – 13:00 and 14:30 – 17:30 |

| | | |
|-----------------------------|-----------|---------------|
| <i>Summer (July/August)</i> | | |
| | Mon-Thurs | 07:30 – 14:00 |
| | Friday | 07:30 – 13:00 |

| | | |
|------------------|---------|--------------|
| <i>Ramadan**</i> | Mon-Fri | 8:00 – 14:00 |
|------------------|---------|--------------|

Private Sector* (including banks)

| | | | |
|---------------|---------|-------|-------|
| <i>Winter</i> | Mon-Fri | 8:00 | 12:00 |
| | | 14:00 | 18:00 |

| | | | |
|-----------------------------|---------|------|-------|
| <i>Summer (July/August)</i> | | | |
| | Mon-Fri | 7:00 | 13:00 |

| | | | |
|------------------|---------|------|-------|
| <i>Ramadan**</i> | Mon-Fri | 8:00 | 14:00 |
|------------------|---------|------|-------|

* Many private companies are moving towards a shorter break in the middle of the day, with close of business brought forward to 17:00

** In 2013, Ramadan will be o/a July 9 - August 8.

Major Tunisian secular holidays are as follows:

| | |
|---|------------|
| Tunisian Revolution Day and Youth Day - | January 14 |
| Tunisian Independence Day - | March 20 |
| Martyrs' Day - | April 9 |
| Labor Day - | May 1 |
| Republic Day - | July 25 |
| Women's Day - | August 13 |
| Evacuation Day | October 15 |

The following religious holidays are also observed. Actual dates are based on the lunar calendar and vary from year to year.

Dates for 2013 are:

| | |
|---|---------------------------|
| Mouled (one day) o/a | January 24, 2013 |
| Aid Esseghir (El-Fitr) (three days) o/a | August 8, 9, and 10, 2013 |
| Aid El Kebir (El-Idha) (two days) o/a | October 15 and 16, 2013 |
| Ras El Am El Hijri (one day) o/a | November 5, 2013 |

* o/a - on or about

Temporary Entry of Materials and Personal Belongings

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Depending on the legal status of non-residents, temporary entry of materials and personal belongings may be permitted. Companies and individuals should verify

regulations applicable to their specific status before attempting to bring items into Tunisia.

Web Resources

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Tunisian Government (Ministère du Transport - Ministry of Transportation)

www.ministeres.tn

Société de Transport de Tunis (TransTu) Tunis Transport Company

www.snt.com.tn

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Chapter 9: Contacts, Market Research, and Trade Events

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Contacts

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| | |
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| U.S. Embassy Tunis | http://tunisia.usembassy.gov/index.html |
| American Chamber of Commerce in Tunisia | http://www.amchamtunisia.org.tn |
| Tunisian Government | www.ministeres.tn |
| Central Bank of Tunisia | www.bct.gov.tn |
| FIPA (Foreign Investment Promotion Agency) | www.investintunisia.tn |
| Tunisian Industrial Promotion Agency | www.tunisieindustrie.nat.tn |
| CEPEX (Exports Promotion Center) | www.cepex.nat.tn |
| INNORPI (Institut National de la Normalisation et de la Propriété Industrielle - National Institute for Standardization and Industrial Property) | www.inorpi.ind.tn |
| OACA (National Civil Aviation Agency) | www.oaca.nat.tn |
| SNCFT (National Railway Company) | http://www.sncft.com.tn/ |
| OMMP (National Ports Office) | www.ommp.nat.tn |
| APBT (Association Professionnelle Tunisienne des Banques et des Institutions Financières – Tunisia Bankers' Association) | www.apbt.org.tn |
| UTICA (Union Tunisienne de l'Industrie du Commerce et de l'Artisanat - Tunisian Association of Industrialists and Traders) | www.utica.org.tn |
| European Union (EU) | http://europa.eu/ |
| IACE (Institut Arabe des Chefs d'Entreprise – Arab Institute of Heads of Companies) | www.iace.org.tn |

Market Opportunities

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The U.S. Embassy in Tunis has a dedicated webpage for U.S. companies considering doing business with Tunisia: www://tunisia.usembassy.gov/business.html

The site features market insights, access to a tender's database, links to upcoming trade events, copies of relevant regulations, and a wealth of other information useful to U.S. Companies.

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://export.gov/mrktresearch/index.asp> and Market Research Library. Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

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In addition to the U.S. Embassy website, please look at the link below for information on upcoming trade events.

<http://export.gov/tradeevents/index.asp>

Trade Shows in Tunisia
Tunis International Fair
Sfax Fair
Miscellaneous fairs

<http://www.biztradeshows.com/tunisia/>
<http://www.fkram.com.tn/>
<http://www.foire-sfax.com/>
<http://www.sogefoires.com.tn/>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities, and support them once they do have exporting opportunities.**

The Economic and Commercial Section of the U.S. Embassy Tunis - a Partner Post of the U.S. Commercial Service - offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To access a wealth of information about the Tunisian market specifically targeted to U.S. businesses, please visit:

<http://tunisia.usembassy.gov/business.html>

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link:

<http://export.gov/tunisia/index.asp>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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