Tunisia

RISK & COMPLIANCE REPORT

DATE: October 2018

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Executive Summary - Tunisia	
Sanctions:	EU - Financial
FAFT list of AML Deficient Countries	Yes
Higher Risk Areas:	Not on EU White list equivalent jurisdictions Failed States Index (Political Issues)(Average Score) Offshore Finance Centre
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations Corruption Index (Transparency International & W.G.I.)) World Governance Indicators (Average Score)

Major Investment Areas:

Agriculture - products:

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

Industries:

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

Exports - commodities:

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

Exports - partners:

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

Imports - commodities:

textiles, machinery and equipment, hydrocarbons, chemicals, foodstuffs

Imports - partners:

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

Investment Restrictions:

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

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

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

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

Current legislation contains two major hurdles for potential FDI:

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

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

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

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

Contents

Section 1 - Background

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

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Tunisia is on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 19 October 2018

Since November 2017, when Tunisia made a high-level political commitment to work with the FATF and MENAFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, Tunisia has taken steps towards improving its AML/CFT regime, including by conducting outreach to the DNFBPs to raise their awareness of the AML/CFT obligations, and hiring and training financial analysts of the FIU. Tunisia should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) fully integrating the DNFBPs into its AML/CFT regime; (2) maintaining comprehensive and updated commercial registries and strengthening the system of sanctions for violations of transparency obligations; (3) continuing to demonstrate increasing efficiency with regard to suspicious transaction report processing; (4) demonstrating that its terrorism-related TFS regime is fully functional and that it is appropriately monitoring the association sector; and (5) establishing and implementing proliferation finance-related targeted financial sanctions.

Compliance with FATF Recommendations

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

Key Findings from latest Mutual Evaluation Report (2016):

General Finding

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

Risks and General Situation

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

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

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

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

Key findings

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

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

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

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

US Department of State Money Laundering assessment (INCSR)

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

Key Findings from the report are as follows: -

Perceived Risks:

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

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

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

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

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

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 129: January – June, 2014
Number of CTRs received and time frame: Not available

STR covered entities: Banks, microfinance institutions, and financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metals, jewels, precious stones, or high-value goods; and managers of casinos

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

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

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

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

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

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

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

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

EU Tax Blacklist

Tunisia was removed from the EU Tax Blacklist on 23 January 2018 following "commitments made at a high political level to remedy EU concerns".

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

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

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

EU White list of Equivalent Jurisdictions

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

World Governance indicators

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

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Tunisia is considered to be an Offshore Financial Centre

Reports

US State Dept Narcotics Report

No report available

US State Dept Trafficking in Persons Report 2016 (introduction):

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

Tunisia is a source, destination, and possible transit country for men, women, and children subjected to forced labor and sex trafficking. According to a baseline study published in 2013, Tunisian youth are subjected to various forms of trafficking. According to the study, some Tunisian girls, mainly from the northwest, working as domestic servants for wealthy families in Tunis and major coastal cities experience restrictions on movement, physical and psychological violence, and sexual abuse. International organizations report an increased presence of street children and rural children working to support their families in Tunisia since the 2011 revolution; according to the baseline study, these children are vulnerable to forced labor or sex trafficking. Tunisian women have reportedly been forced into prostitution under false promises of work both within the country and elsewhere in the region, such as Lebanon, United Arab Emirates, and Jordan. Civil society organizations report an increase in women, primarily from West Africa, subjected to domestic servitude in private homes in Tunis, Sfax, Sousse, and Gabes. Migrants fleeing unrest in neighboring countries continue to be vulnerable to trafficking in Tunisia. Security officials reported in 2014 that organized gangs force street children to serve as thieves and beggars and to transport drugs.

The Government of Tunisia does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these measures, the government did not demonstrate overall increasing anti-trafficking efforts compared to the previous reporting period; therefore, Tunisia is placed on Tier 2 Watch List for the fourth consecutive year. Per the Trafficking Victims Protection Act, Tunisia was granted a waiver from an otherwise required downgrade to Tier 3 because its government has devoted sufficient resources to a written plan that, if implemented, would constitute making significant efforts to meet the minimum standards. As in the previous reporting period, Parliament did not pass draft anti-trafficking legislation, and due to the lack of legal framework, the government did not provide a clear mandate for officials to address human trafficking crimes effectively. The government reported investigating and prosecuting potential trafficking crimes, but without the details of the cases it was unclear how many—if any—traffickers were adequately punished. The government did not fully implement victim identification guidelines or the national victim referral mechanism; therefore, some trafficking victims remained unidentified and vulnerable to punishment for unlawful acts committed as a direct result of being subjected to human trafficking. Nevertheless, authorities identified and provided protection services to some trafficking victims in government-operated centers for vulnerable groups. Although the government's inter-ministerial anti-trafficking committees remained active during the reporting period, political, economic, and security challenges in

Tunisia prevented the government from dedicating resources and attention to human trafficking issues.

US State Dept Terrorism Report 2016

Overview: The Tunisian government's counterterrorism efforts intensified in 2016, with successes including weapons seizures, arrests, and operations against armed groups throughout the country.

The al-Qa'ida in the Islamic Maghreb (AQIM)-aligned Okba Ibn Nafaa Brigade continued small scale attacks against Tunisian security personnel, while an ISIS-affiliate conducted a large-scale attack on the Tunisian-Libyan border town of Ben Guerdan in March, during which 49 terrorists, seven civilians, and 11 members of the security forces were killed. While terrorist attacks took place along the Libyan border and the western Tunisian mountains, there were no reported attacks in urban or tourist centers.

Tunisia reached out to the international community, particularly to the United States as its prime security partner, to seek support in transforming its security apparatus into fully professional and competent counterterrorism forces. U.S. security assistance to Tunisia grew in 2016, but Tunisia needs more time and international support to complete the overhaul of its military and civilian security forces. The government, which boasts a broader political base after the September change in government, is led by largely secularist Nida Tounes and Islamist-oriented Nahda, which have made counterterrorism a top priority.

Tunisia adopted a National Counterterrorism Strategy in November. The strategy, which is intended to take a comprehensive approach to the fight against terrorism, was drafted by the Ministry of Interior (MOI). The military and civilian security forces continued to make counterterrorism their first priority, leading to the dismantling of several terrorist cells and the disruption of a number of attack plots.

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

Instability in Libya has allowed violent extremist groups, including ISIS, to continue operations, requiring the Tunisian government to increase its focus on its border with Libya and to adapt to terrorist tactics that targeted foreign civilians and urban areas. The disproportionate numbers of Tunisians who have travelled to fight in Syria and Iraq remained another cause for concern. The return of foreign terrorist fighters is a challenge the Tunisians worked to address in 2016.

Legislation, Law Enforcement, and Border Security: Parliament passed a counterterrorism law in 2015 that modernized Tunisia's security legislation, striking a better balance between the protection of human rights and fighting terrorism, and implemented obligations under UN Security Council resolution (UNSCR) 2178 and the UN Security Council (UNSC) ISIL (Da'esh) and al-Qa'ida sanctions regime. Human rights organizations objected to the law for its vague definition of terrorism and the broad leeway it gives to judges to admit testimony by anonymous witnesses. Tunisia also worked to strengthen criminal justice institutions and promote the rule of law to address the threat posed by radicalization and terrorism. On June 1, 2016, a new criminal procedure code intended to decrease pre-trial detentions and prison overcrowding entered into force. Tunisia also worked with the Department of State to develop a national court management system to facilitate collaboration between judges, court administrators, and other justice sector stake holders, including civil society. The Directorate General of Prisons and Rehabilitation (DGPR) also worked with the Department of State to integrate community corrections principles such as probation, parole, and the establishment of community reintegration centers to better prepare newly released inmates and mitigate recidivism and radicalization.

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

The MOI is the lead counterterrorism agency in the rest of the country, particularly for urban areas. The Anti-Terrorism Brigade (BAT) and the National Guard Special Unit – elite units under the Ministry's National Police and National Guard, respectively – take the lead for counterterrorism operations. The National Unit for the Investigation of Terrorist Crimes leads investigations and liaises with the judicial system on prosecutions. With assistance from the Department of State and the U.S. Federal Bureau of Investigation, the Security Pole for Countering Terrorism and Organized Crime (also known as the Tunisian Fusion Center) is becoming an all-source analytical center which disseminates actionable intelligence and responds to requests for information from Tunisia's security services. The MOD also has its own nascent intelligence fusion center which requires further development. The MOD recently established linkages to the MOI's Tunisian Fusion Center. At the tactical level, MOI and MOD forces worked together in some locations, coordinating their efforts in Joint Task Forces established in the military exclusion zones.

For protecting tourism zones, Tunisia worked with international partners to provide first responder and security training for hotel staff and promote cooperation between security forces and private security. The Ministry of Tourism also worked with Germany in developing a handbook on policies and procedures for security personnel working at soft targets such as tourist sites.

Tunisia has an Automated Fingerprint Identification System (AFIS) and maintains fingerprint records for identification cards, criminal records, and latent prints. Tunisia currently has only one AFIS system. Tunisia also maintains a DNA database and has expressed an interest in becoming a Combined DNA Index System member.

Border security remained a priority, and Tunisian authorities collaborated with their Algerian counterparts to stem the flow of weapons and insurgents across their common borders and across their borders with Libya. The MOD took the lead in constructing a series of barriers and trenches in 2015 along more than 220 kilometers of the border with Libya to stem the flow of arms, terrorists, and contraband between the two countries. Tunisia has asked for and received support from Germany and the United States to install electronic surveillance equipment to augment the new barrier.

The year saw continued arrests and raids by security forces as well as regular seizures of weapons near the Tunisia-Libya border. Significant law enforcement actions and arrests included:

- On January 8, National Guard units detained 11 Tunisian men and women near Ben Guerdan who were attempting to enter Libya to join terrorist groups.

- On October 16, counterterrorism forces from the Tunisian National Guard foiled a plot to assassinate a major political figure. Press reports stated that the terrorists' target was Interior Minister Hedi Majdoub. Approximately 40 people were taken into custody with 20 still at-large following the arrests.

- In November, Tunisian police arrested four individuals suspected of planning attacks in the capital. According to a spokesman for the MOI, the group was planning attacks against a commercial center and a National Guard post.

Tunisia continued to participate in the Department of State's Antiterrorism Assistance (ATA) program. MOI personnel received ATA training in the areas of tactical crisis response, counterterrorism investigations, protection of soft targets, and command and control. Tactical units were granted tactical and enabling equipment. Department of State programs also supported improved quality of and access to, the justice system, training for and implementation of new criminal codes, improved prison functionality, and other training and support for the Ministry of Justice. In close collaboration with the MOI, the Department of State designed a US $12 million new police academy modernization project, which includes curriculum development. The Ministries of Interior and Justice were also provided armored vehicles, ambulances, surveillance cameras, and other equipment to enhance internal and border security. The Tunisian Armed Forces consider counterterrorism and border security their principal mission, and have successfully employed U.S.-funded patrol craft, vehicles, weapons, and training in border security and counterterrorism operations.

Countering the Financing of Terrorism: Tunisia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force-style regional body, and also of the Counter-ISIS Finance Working Group. Tunisia underwent a MENAFATF mutual evaluation in 2016. Its financial intelligence unit, the Tunisian Financial Analysis Committee, is a member of the Egmont Group of Financial Intelligence Units.

Over the past three years, Tunisia has endeavored to implement and promote anti-money laundering/counterterrorist finance efforts with its institutional partners. As a result, banks regularly report suspicious transactions and have done so increasingly since the 2011 revolution. Other designated nonfinancial businesses and professions, including real estate agents, lawyers, accountants, and notaries, have lagged behind in reporting suspicious transactions primarily due to a lack of awareness of anti-money laundering/countering the financing of terrorism (AML/CFT) laws and regulations.

Tunisia's 2015 law on combating terrorism and money laundering created a unit of judges specialized in terrorism cases and sends investigations to the Criminal Investigation Department of Tunis, rather than to units at the governorate level. The penal code provides for the seizure of assets and property tied to narcotics trafficking and terrorist activities. Tunisia has a mechanism to implement the UNSC ISIL (Da'esh) and al-Qa'ida sanctions regime, including requiring entities subject to AML/CFT provisions to consult lists on the Ministry of Finance website and to freeze listed individual and group assets; however, the financial sector and regulators are not consistently consulting and implementing the UNSC 1267 list. Tunisia freezes and confiscates assets, but the timeframe for taking action varies depending on the case.

International Sanctions

EU Sanctions

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

Current EU regulations

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

The Arab League

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

* Cutting off transactions with the Syrian central bank

* Halting funding by Arab governments for projects in Syria

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

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

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

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

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

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	42
World Governance Indicator – Control of Corruption	54

Moderate risks of corruption are an obstacle for businesses investing in Tunisia. The country suffers from a culture of nepotism and cronyism, which are found throughout the government. These practices spurred popular upheavals in 2010, leading to the fall of the government in early 2011. Despite the uprisings of the Arab Spring, corruption is still rampant. High-level corruption is said to be replaced by petty corruption. Tunisia's Penal Code criminalizes several forms of corruption, including active and passive bribery, abuse of office, extortion and conflicts of interest, but the anti-corruption framework is not effectively enforced, although the government has been taking preliminary steps to implement the laws (HRR 2016). Businesses may encounter bribery, extortion or facilitation payments, particularly in the public procurement sector. Even though gift-giving and gift-receiving are criminalized, these practices are commonplace in Tunisia. **Information provided by GAN Integrity.**

US State Department

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

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

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

Rather than corrupt practices, these reports generally covered relatively low-level abuses, such as non-conforming labeling procedures and price/supply speculation.

The government's recent efforts to combat corruption have concentrated on the seizure and privatization of assets belonging to Ben Ali's family members, assurance that price controls on food products, gasoline, etc., are respected, enhancement of commercial competition in the domestic market, and harmonization of Tunisian laws with those of the European Union.

Since 1989, the public sector has been governed by a comprehensive law designed to regulate each phase of public procurement. The GOT also established the Higher Market Commission (CSM - Commission Supérieure des Marchés) to supervise the tender and award process for major government contracts. The government publicly supports a policy of transparency. Public tenders require bidders to provide a sworn statement that they have not and will not, either themselves or through a third party, make any promises or give gifts with a view to influencing the outcome of the tender and realization of the project. Despite the law, competition on government tenders appears susceptible to corruptive behavior. Pursuant to the FCPA, the U.S. Government requires that American companies requesting U.S. government advocacy certify they do not participate in corrupt practices.

Corruption and Government Transparency - Report by Global Security

Political Climate

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

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

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

Business and Corruption

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

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

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

Regulatory Environment

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

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

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

Section 3 - Economy

Tunisia's diverse, market-oriented economy has long been cited as a success story in Africa and the Middle East, but it faces an array of challenges following the 2011 Arab Spring revolution. Following an ill-fated experiment with socialist economic policies in the 1960s, Tunisia embarked on a successful strategy focused on bolstering exports, foreign investment, and tourism, all of which have become central to the country's economy. Key exports now include textiles and apparel, food products, petroleum products, chemicals, and phosphates, with about 80% of exports bound for Tunisia's main economic partner, the EU.

Tunisia's liberal strategy, coupled with investments in education and infrastructure, fuelled decades of 4-5% annual GDP growth and improving living standards. Former President Zine el Abidine BEN ALI (1987-2011) continued these policies, but as his reign wore on cronyism and corruption stymied economic performance, and unemployment rose among the country's growing ranks of university graduates. These grievances contributed to the January 2011 overthrow of BEN ALI, sending Tunisia's economy into a tailspin as tourism and investment declined sharply.

Since its establishment in late 2014, Tunisia's new government has faced challenges reassuring businesses and investors, bringing budget and current account deficits under control, shoring up the country's financial system, lowering high unemployment, and reducing economic disparities between the more developed coastal region and the impoverished interior. In 2015, successive terrorist attacks against the tourism sector and worker strikes in the phosphate sector, which combined account for nearly 15% of GDP, slowed growth to less than 1% of GDP.

Agriculture - products:

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

Industries:

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

Exports - commodities:

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

Exports - partners:

France 28.5%, Italy 17.2%, Germany 10.9%, Libya 6.1%, Spain 4.2% (2015)

Imports - commodities:

textiles, machinery and equipment, hydrocarbons, chemicals, foodstuffs

Imports - partners:

France 19.4%, Italy 16.4%, Algeria 8.2%, Germany 7.4%, China 6% (2015)

Banking

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

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

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

Stock Exchange

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

Section 4 - Investment Climate

Executive Summary

Tunisia maintained the forward momentum of its democratic transition in 2015 despite economic hardship and two terrorist attacks that targeted its important tourism sector. Tunisia's first democratically elected government took office in February 2015 with an ambitious reform agenda and high expectations for economic growth.

Prime Minister Habib Essid's government has made substantial progress on much-needed structural reform, including passing new public-private partnership, competition, bankruptcy and renewable energy laws; safeguarding the independence of the central bank through a new central bank law; and expanding the franchising sector. The United States and other donors are partnering with the government to achieve outstanding reforms, including a revised investment code and reforms on banking, taxes, and customs. Enacting these reforms will ensure Tunisia's economic framework is capable of attracting and expanding foreign and domestic investment in this important partner nation.

Tunisia's strengths are its proximity to Europe, relatively educated workforce, and positive attitude toward foreign direct investment (FDI). Historically, most investments were in mechanic and electronic manufacturing and textiles. Today, the economy is more dynamic. Sectors such as agribusiness and ICT are increasingly promising. Tunisia was the largest exporter of olive oil globally in 2015.

There is potential for significant improvement to the business climate by the end of 2016. As economic reforms are adopted by the Parliament and implemented by the government, the business climate is expected to improve with more simple, clear, and transparent regulations. The United States and Tunisia co-chaired a high-level Joint Economic Commission in May 2016, dedicated to increasing private sector employment.

Substantial barriers to investment remain. State-owned enterprises play a large role in Tunisia's economy, and some sectors are not open to foreign investment. The informal sector, estimated to be between 40-60 percent of the overall economy, continues to pose difficulties to companies forced to compete with smuggled goods. While waiting for a new investment code and finance law, investors face regulatory uncertainty.

The United States has provided more than $360 million in economic growth-related activities since 2011, including loan guarantees in 2012 and 2014 enabling the GOT to borrow nearly $1 billion to help stabilize government finances, ongoing support for small and medium enterprises, and technical assistance to implement economic reform.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	76 of 168	transparency.org/cpi2014/results http://www.transparency.org/country/#TUN
World Bank's "Ease of Doing Business"	2016	74 of 189	http://www.doingbusiness.org/data/explore economies/tunisia/

Global Innovation Index	2015	76 of 137	https://www.globalinnovationindex.org/userfiles/file/reportpdf/GII-2015-v5.pdf
U.S. FDI in partner country ($M USD, stock positions)	2014	360	http://www.bea.gov/international/factsheet/factsheet.cfm?Area=445
World Bank GNI per capita	2014	$4,230	http://data.worldbank.org/country/tunisia

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Prime Minister Essid's government was sworn in on February 6, 2015, following free and fair democratic elections. The current government has a five-year mandate and places a priority on reducing unemployment, attracting FDI, and girding itself against terrorist attacks by shoring up and expanding its security sector. More than 14,136 foreign companies currently operate in Tunisia (11,262 offshore and 2,875 onshore). Historically, the government has encouraged export-oriented FDI in the interior regions and in key industrial sectors, such as call centers, electronics, aerospace and aeronautics, automotive parts, and textile/apparel manufacturing. The off-shore sectors that attract the greatest FDI in 2015 are energy (51 percent), electric and electronic industries (11 percent), finance (8 percent), and ICT (5 percent). Inadequate infrastructure in the interior regions results in the concentration of most foreign investment in the coastal regions of the northeast (75 percent). Western and southern regions attracted less than 7 percent of foreign investments despite special incentives for those regions.

Foreign investment in Tunisia is regulated by the Investment Code (Law 1993-120), last amended in 2009. The current Investment Code divides potential investments into two categories:

- "Offshore" investment is defined as entities in which foreign capital accounts for at least 66 percent of equity, and at least 70 percent of production is destined for the export market. Some exceptions to these percentages exist for the agricultural sector.
- "Onshore" investment caps foreign equity participation at a maximum of 49 percent in most non-industrial projects. In certain cases, "onshore" industrial investment may attain 100 percent foreign equity, subject to government approval.

Some aspects of the 1993 Code lapsed in 2015. Exporting companies in operation before 2015 were grandfathered under the previous investment policy and allowed to keep their tax privileges, but new entrants are subject to a 10 percent income tax as the Government of Tunisia (GOT) gradually merges the onshore-offshore tax systems. A new draft investment code was submitted to the Parliament in October 2015 and remains under discussion.

Other Investment Policy Reviews

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

The WTO is scheduled to complete a Trade Policy Review for Tunisia in July 2016.

Laws/Regulations on Foreign Direct Investment

Tunisia's multiple and overlapping customs, taxes, and financial incentive schemes are highly complex and difficult to understand for investors. In addition to offshore incentives, Tunisia provides specific incentives to promote regional development, technology, research and development (R&D), innovation, small and medium enterprises (SMEs), and investments in certain sectors (such as education, transport, health, and culture) and environmental protection. The GOT established two free-trade zones that offer benefits for foreign companies similar to those provided to offshore exporting companies. Minister of Commerce Mohsen Hassan announced in March 2016 the possibility of creating a new free trade and logistics zone in Ben Guerdan in the south.

The Parliament is expected to adopt a new investment code in 2016 that will lower restrictions and simplify procedures. In addition, the Parliament adopted a suite of economic reform laws in 2015 including a new renewable energy law, competition law, and public-private partnership law. The GOT is also undertaking extensive financial sector reform. Parliament recently adopted a new bankruptcy law and central bank statute to enshrine the independence of the Central Bank of Tunisia. Draft legislation defining the structure and regulations of the overall banking sector is currently under review by Parliament, and two large public banks were recapitalized.

Business Registration

For most businesses, the Agency for Promotion of Industry and Innovation (APII) is the focal point for business registration. Online registration for industry or service sector projects for both domestic and foreign investment is available at: www.tunisieindustrie.nat.tn/en/doc.asp?mcat=16&mrub=122

While the online registration process is clear and APII aims to respond within 24 hours, there are many additional steps that involve other government agencies. The APII has set up a one-stop shop which offers registration of legal papers with the tax office, tax inspection office, court clerk, official Tunisian gazette, and customs. This one-stop shop also houses representatives providing consultations from the Investment Promotion Agency (API), Ministry of Employment, National Social Security Authority (CNSS), Ministry of Interior, and the Ministry of Commerce. The World Bank's *Doing Business 2016* study reports that business registration takes an average of 11 days. A local business consulting firm estimates that this process can take up 40 days and costs $500 on average.

In agriculture and fisheries, business registration can be found at: www.apia.com.tn.

In tourism, companies must register with the National Office for Tourism at: http://www.tourisme.gov.tn/pour-investir/prestations-administratives.html

The Foreign Investment Promotion Agency (FIPA) is the central point of contact for foreign investors. Its website is: www.investintunisia.com.tn.

Small and Medium Enterprises (SMEs)

While the GOT has no official definition of SMEs, commonly used thresholds include between 10 - 100 employees and less than $1.5 million in investment. Companies with fewer than 10 employees are typically considered micro-enterprises. The Tunisian Solidarity Bank (SOE) provides up to $2,500 in refinancing credits for micro-enterprises. The Bank for SME Financing (BFPME) offers financing in the range of $50,000 to $5 million. These institutions do not offer services for foreign investors.

Industrial Promotion

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

Limits on Foreign Control and Right to Private Ownership and Establishment

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

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

Privatization Program

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

In 2011, the GOT confiscated the assets of the former regime. The asset list touched upon every major economic sector. According to the GOT Commission to Investigate Corruption and Malfeasance, a court order is required to determine the ultimate handling of frozen assets. Since court actions frequently take years – and with the government facing immediate budgetary needs – the GOT allowed privatization bids for shares in Tunisiana, Ennakl, Carthage Cement, City Cars, and Banque de Tunisie. The GOT does not exclude the possibility of selling shares in these companies on the "Bourse de Tunis," Tunisia's stock exchange. So far, the privatization process has led to the sale of the GOT's 60 percent stake in Ennakl to Tunisian consortium Poulina-Parenin, its 13 percent stake in Banque de Tunisie to French group Crédit Industriel et Commercial (CIC), and its 7 percent stake in City Cars to Tunisian consortium Bouchammaoui-Chabchoub. In its efforts to upgrade the banking sector and increase foreign reserves, the GOT is expected to privatize a 15 percent stake in state-owned banks, but information about related tenders is not yet available.

Screening of FDI

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

Competition Law

The GOT adopted a new competition law in 2015 that empowered a Competition Council to reduce government intervention in the economy and promote competition based on supply and demand.

The law ensures free pricing of most products and services, with the exception of a list (determined by decree) of basic products and services such as bread or electricity. In exceptional cases of large increases or collapse in prices, the Ministry of Commerce reserves the right to regulate prices for a period of up to six months. The new competition law also voids previous agreements that fix prices, limit free competition or the entry of other companies, and limit or control production, distribution, investment, technical progress, or supply centers. The Ministry of Trade reserves the right to uphold these competition-inhibiting agreements if parties can convince the Competition Council that these practices are necessary for overall technical or economic progress, and that benefits are fairly distributed.

2. Conversion and Transfer Policies

Foreign Exchange

The Tunisian Dinar (TND) can be traded only within Tunisia. It is illegal to move TND out of the country. The TND is convertible for current account transactions (repatriation of profits, purchases, bona fide trade and investment operations, etc.). Central Bank authorization is needed for some foreign exchange operations. For imports, Tunisian law prohibits the release of hard currency from Tunisia as payment prior to the presentation of certain documents establishing that the merchandise has physically arrived in Tunisia.

The Tunisian Central Bank pegs the TND daily to a basket of currencies (including the Euro, the U.S. dollar, and the Japanese yen) using weights that reflect the relative importance of these currencies in Tunisia’s external trade. It is adjusted in real terms to the fluctuations of these currencies, taking into consideration inflation differentials. The exchange rate is freely quoted by Tunisian banks who command a slight transaction premium. The Central Bank can intervene in the market to stabilize the currency or relieve pressure on the market. In 2015, the TND depreciated 8 percent against the dollar and 3 percent against the Euro, according to the Central Bank.

Non-residents are exempt from most exchange regulations. Under foreign currency regulations, non-resident companies are defined as having:

- Non-resident individuals who own at least 66 percent of the company's capital, and
- Capital financed by imported foreign currency.

Foreign investors may transfer funds at any time and without prior authorization. This applies to both principal and capital in the form of dividends or interest. Procedures for capital and dividend repatriation are complex, however, and subject to discretion by the Central Bank administration. The difficulty in the repatriation of capital and dividends is one of the most recurrent complaints made by offshore investors in Tunisia. The World Bank recommended that the Central Bank of Tunisia simplify capital and dividend repatriation procedures (by reviewing Decree 77-608.)

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

There is no limit to the amount of foreign currency that visitors can bring into Tunisia to exchange for TND. However, amounts exceeding the equivalent of TND 25,000 ($12,500) 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 ($2,500). Tunisian customs authorities may require currency exchange receipts on exit from the country.

Remittance Policies

Tunisia does not have remittance policies in place.

3. Expropriation and Compensation

U.S. investments in Tunisia are protected by international law as stipulated in the U.S.-Tunisia Bilateral Investment Treaty (BIT). According to Article III of the BIT, the GOT reserves the right for direct and indirect expropriation or nationalization of investments for a public purpose only, in a non-discriminatory manner, and upon advance compensation of the full value of the expropriated investment. The treaty grants the right to prompt review by the relevant Tunisian authorities of the expropriation and compensation's conformity to the principles of international law. When compensations are granted to national or third country companies whose investments suffer losses owing to events such as war, armed conflict, revolution, state of national emergency, civil disturbance etc., U.S. companies are accorded "the most favorable treatment, as regards to any measures adopted in relation to such losses." There are no outstanding expropriation cases involving U.S. interests.

4. Dispute Settlement

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

The Tunisian legal system is secular. It is based upon the French Napoleonic code and meets EU standards. While the new Tunisian constitution guarantees the independence of the judiciary, constitutionally mandated reforms of courts and broader judiciary reforms are still a work-in-progress. The Tunisian Code of Civil and Commercial Procedures allows for the enforcement of foreign court decisions under certain circumstances.

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

Bankruptcy

Under Tunisia's current bankruptcy regime, the government's principal interest in addressing a company in distress is preservation of jobs, not necessarily the liquidation of assets or protection of creditors.

Parliament adopted in April 2016 a new bankruptcy law which merges Chapter IV of the Commerce Law and the Law N° 95-34 (Recovery of Companies in Economic Difficulties law) last updated in 1999 and 2003. These two existing laws have duplicate and cumbersome processes for business rescue and exit and give creditors a marginal role. The new law increases incentives for failed companies to undergo liquidation by limiting state collection privileges. Improved bankruptcy procedures are intended to decrease the number of non-performing loans and facilitate access of new firms to bank lending.

Investment Disputes

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

International Arbitration

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

ICSID Convention and New York Convention

Tunisia is a member of the International Center for the Settlement of Investment Disputes and is signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Duration of Dispute Resolution – Local Courts

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

5. Performance Requirements and Investment Incentives

WTO/TRIMS

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

Investment Incentives

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

To incentivize the employment of new university graduates, the GOT assumes the employer's portion of social security costs (16 percent of salary) for the first seven years of the investment with an extension of up to 10 years for investments in the interior regions. Investments with high job-creation potential may benefit from the purchase of state-owned land for a very small payment (one TND per square meter, which is less than $1). Investors who purchase companies in financial distress may also benefit from certain clauses of the investment code, such as tax breaks and social security assistance. These advantages are determined on a case-by-case basis.

Further benefits are available for offshore investments, such as tax exemptions on profits and reinvested revenues, duty-free import of capital goods with no local equivalents, and full tax and duty exemption on raw materials, semi-finished goods, and services necessary for operation.

Foreign resident companies face restrictions related to the employment and compensation of expatriate employees. Currently, Tunisian law limits the number of expatriate employees per company to four (excluding oil and gas companies). There are lengthy renewal procedures for annual work and residence permits. Although rarely enforced, legislation limits the validity of expatriate work permits to two years. The GOT indicated it intends to have more flexible rules in place in the new investment code.

Central Bank regulations impose administrative burdens on companies seeking to pay for temporary expatriate technical assistance from local revenue. For example, before it could receive authorization to transfer payment from its operations in Tunisia, a foreign resident company that utilizes a foreign accountant must document that the service is necessary, fairly valued, and unavailable in Tunisia. This regulation prevents a foreign resident company from paying for services performed abroad.

According to the World Bank's 2016 Doing Business study, Tunisia's overall ranking rose to 74 out of 189, a gain of one spot from 2015.

Research and Development

There are no specific restrictions on foreign firms participating in government-financed research and development programs.

Performance Requirements

Until recently, performance requirements were generally limited to investment in the petroleum sector. Now, such requirements are in force for private sector infrastructure projects in sectors such as telecommunications. These requirements tend to be specific to the concession or operating agreement (e.g., drilling a certain number of wells, or producing a certain amount of electricity).

Data Storage

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

6. Protection of Property Rights

Real Property

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

Intellectual Property Rights

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

Tunisia's patent and trademark laws are designed to protect owners duly registered in Tunisia. In the area of patents, foreign businesses are guaranteed treatment equal to that afforded to Tunisian nationals. Tunisia updated its legislation to meet the requirements of the WTO agreement on Trade-Related Aspects of Intellectual Property (TRIPS). Copyright protection is the responsibility of the Tunisian Copyright Protection Organization (OTPDA - Organisme Tunisien de Protection des Droits d'Auteur), which also represents foreign copyright organizations.

If a copyright violation is suspected, customs officials are permitted to inspect and seize suspect goods. For products utilizing foreign trademarks registered at INNORPI, the Customs Code allows customs agents to operate throughout the entire country. Much smuggling of illegal items takes place through Tunisia's porous borders. Tunisian copyright law applies to literary works, art, scientific works, new technologies, and digital works. Its application and enforcement, however, have not always been consistent with foreign commercial expectations. Print, audio, and video media are considered particularly susceptible to copyright infringement.

Resources for Rights Holders

Aisha Y. Salem
Intellectual Property Attaché for the Middle East and North Africa
U.S. Embassy Kuwait City, Kuwait
U.S. Department of Commerce Global Markets
U.S. Patent and Trademark Office
Tel: +965 2259 1455
Aisha.Salem@trade.gov
AmCham Tunisia http://www.amchamtunisia.org.tn/
Attorneys list http://tunisia.usembassy.gov/attorney-list.html

7. Transparency of the Regulatory System

While the Tunisian government has adopted policies designed to promote foreign investment, aspects of existing tax and labor laws are impediments to efficient business operations. Cumbersome and time-consuming bureaucratic procedures persist. Foreign employee work permits, commercial operating license renewals, infrastructure-related services, and customs clearance for imported goods are usually cited as the lengthiest and most opaque procedures in the local business environment. Investors have commented on inconsistencies in the application of regulations.

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

8. Efficient Capital Markets and Portfolio Investment

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

Created in 1969, the Bourse de Tunis (Tunis stock exchange) listed 78 companies (65 in the main market, 12 in the alternative market, and one in a special group) as of February 2016. Capitalization of these companies was valued at $9.6 billion. During the last five years, the exchange's regulatory and accounting systems have been brought more in line with international standards, including compliance and investor protections. The exchange is supervised and regulated by the state-run Capital Market Board. Most major global accounting firms are represented in Tunisia. Firms listed on the stock exchange must publish semiannual corporate reports audited by a certified public accountant. Accompanying accounting requirements exceed what many Tunisian firms can, or are willing to, undertake. GOT tax incentives attempt to encourage companies to list on the stock exchange. Newly listed companies that offer 30 percent capital share to the public receive a five-year tax reduction on profits. In addition, individual investors receive tax deductions for equity investment in the market. Capital gains are tax free when held by the investor for two years.

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

Money and Banking System, Hostile Takeovers

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

Private credit stands at 65 percent of GDP in Tunisia. According to the World Bank, this level lags behind economic peers such as Morocco and Jordan whose rate is 80 percent. The World Bank's 2016 "Doing Business Survey" ranks Tunisia 126th in terms of ease of access to credit. According to the IMF Financial System Stability Assessment, the banking sector faces significant challenges such as a weak domestic economy and the legacy of the previous regime. In particular, loan quality, solvency, and profitability have deteriorated. Weak underwriting practices contributed to inappropriate lending to well-connected borrowers. Tunisia's 20 onshore banks offer essentially identical services targeting the same segment of Tunisia's larger corporations. Meanwhile, SMEs and individuals often have difficulty accessing bank capital due to high collateralization requirements.

Government regulations hold down lending rates. This prevents banks from pricing their loan portfolios appropriately and incentivizes bankers to restrict the provision of credit. Competition among Tunisia's many banks has the effect of lowering observed interest rates. However, banks often place conditions on loans that impose far higher costs on borrowers than interest rates alone. These non-interest costs may include collateral requirements that come in the form of liens on real estate. Often, the collateral must equal or exceed the value of the loan principal. Collateral requirements are high as banks face regulatory difficulties in collecting collateral, thereby adding to costs. Nonperforming loans (NPLs) increased to 24 percent in 2016.

Beyond the banks and stock exchange, few effective financing mechanisms are available in the Tunisian economy. A true bond market does not exist. Government debt sold to financial institutions is not re-traded on a formal, transparent secondary market. Private equity remains a niche element in the Tunisian financial system. Firms experience difficulty raising sufficient capital, sourcing their transactions, and selling their stakes in successful investments once they mature. The microfinance market remains underexploited, with non-governmental organization Enda Inter-Arabe the dominant lender in the field.

The GOT established two categories of financial service providers: banking (e.g., deposits, loans, payments and exchange operations, acquisition of operating capital) and investment services (reception, transmission, order execution, and portfolio management). Non-resident financial service providers must present initial minimum capital (fully paid up at subscription) of TND 25 million ($12.5 million) for a bank, TND 10 million ($5 million) for a non-bank financial institution, TND 7.5 million ($3.8 million) for an investment company, and TND 250,000 ($125,000) for a portfolio management company.

9. Competition from State-Owned Enterprises

State-owned enterprises (SOEs) are still prominent throughout the economy. Many compete with the private sector in industries such as telecom, banking, and insurance. They remain monopolies in other sectors considered sensitive by the government, such as railroad transportation, water and electricity distribution, postal services, and port logistics. Importation of basic staples and strategic items such as cereals, sugar, oil, and steel also remain under SOE control.

Senior management of SOEs is appointed by the GOT and report to the respective ministries. Boards of directors are comprised of representatives from ministries and public shareholders.

Like private companies, SOEs are required by law to publish independently audited annual reports, whether or not corporate capital is publicly traded on the stock market.

OECD Guidelines on Corporate Governance of SOEs

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

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

Sovereign Wealth Funds

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

10. Responsible Business Conduct

There is no comprehensive national policy on responsible business conduct, although there is increasing awareness among the government, NGOs, and private companies. Tunisia is an adherent to the OECD Guidelines for Multinational Enterprises.

Since 1989, the public sector has been subject to a government procurement law that requires labor, environmental, and other impact studies for large procurement projects. All public institutions are also subject to audits by the Cour des Comptes.

The Tunisian Central Bank adopted a circular in 2011 setting guidelines for sound and prudent management, guaranteeing and safeguarding the interests of shareholders, creditors, depositors and staff. The circular also established policies on recruitment, appointment and remuneration, as well as dissemination of information to shareholders, depositors, market counterparts, regulators and the general public.

The emerging role of non-government organizations in Tunisia, notably in human rights, environmental protection, consumer rights, labor unions, and employer unions has redefined the role of Tunisian businesses to include social responsibility.

The national point of contact for OECD MNE guidelines is:

Mr. Abdelmajid Mbarek, Director
Ministry of Development, Investment, and International Cooperation
Avenue Mohamed V

1002 Tunis
Tel: +216 7184 9596
Fax: +216 7179 9069
Email: a.mbarek@mdci.gov.tn

Tunisia has not yet joined the Extractive Industries Transparency Initiative (EITI). Tunisia did participate in the 7th world conference of the EITI in Lima, Peru. Projects related to commercial development of oil, natural gas, or minerals are subject to Parliamentary approval.

11. Political Violence

Tunisia has a history of political stability. Incidents involving politically-motivated damage to economic projects or infrastructure were extremely rare. In December 2010 and January 2011, however, civil unrest in the underserved interior regions eventually forced former President Ben Ali to flee Tunisia on January 14, 2011.

Post-revolution instability in 2013, including two high profile political assassinations, resulted in widespread public protests. Political calm was restored in early 2014 with the successful conclusion of Tunisia's National Dialogue; a new constitution; and the installation of an interim, technocratic government that paved the way for free and fair parliamentary and presidential elections at the end of the year.

Two major terrorist attacks targeting the tourism sector occurred in 2015, killing dozens of foreign tourists: the Bardo National Museum in Tunis and a beach hotel in Sousse. Travelers are urged to visit www.travel.state.gov for the latest travel alerts and warnings regarding Tunisia. In addition, a presidential guard bus was bombed by terrorists in Tunis in November 2015, and the border town of Ben Guerdan in south Tunisia was attacked by armed militants in March 2016.

12. Corruption

Tunisian and U.S. businesses with regional experience indicate that corruption exists, but may not be as pervasive as that found in neighboring countries. U.S. investors report that corrupt practices involve routine procedures for doing business (customs, transportation, and some bureaucratic paperwork). These behaviors, however, do not appear to pose a significant barrier to doing business in Tunisia. Transparency International's Corruption Perceptions Index (CPI) 2015 gave Tunisia a score of 38 out of 100 and a rank of 76 among 175 countries. Regionally, Tunisia is ranked 8th among MENA countries, ahead of Morocco, Algeria, and Libya. Most U.S. firms involved in the Tunisian market do not identify corruption as a primary obstacle to foreign direct investment.

Tunisia's penal code devotes 11 articles to defining and classifying corruption and assigns corresponding penalties (including fines and imprisonment). Several other regulations also address broader concepts of corruption. Detailed information on the application of these laws or their effectiveness in combating corruption is not publicly available. There are no GOT statistics specific to corruption. The Independent Commission to Investigate Corruption, created in 2011, handled corruption complaints from 1987-2011. The commission referred five percent of cases to the Ministry of Justice. In 2012, the commission was replaced by the National Authority to Combat Corruption, which has the authority to forward corruption cases to the Department of Justice, give opinions on legislative and regulatory anti-corruption efforts, propose policies and collect data on corruption, and facilitate contact between anti-corruption efforts in the government and civil society.

Recent government efforts to combat corruption include: the seizure and privatization of assets belonging to Ben Ali's family members; assurances that price controls on food products, gasoline, etc., are respected; enhancement of commercial competition in the domestic market; establishment of a Ministry of Public Service and the Fight Against Corruption, and harmonization of Tunisian laws with those of the European Union.

Since 1989, a comprehensive law designed to regulate each phase of public procurement has governed the public sector. The GOT also established the Higher Market Commission (CSM - Commission Supérieure des Marchés) to supervise the tender and award process for major government contracts. The government publicly supports a policy of transparency. Public tenders require bidders to provide a sworn statement that they have not and will not, either themselves or through a third party, make any promises or give gifts with a view to influencing the outcome of the tender and realization of the project. Despite the law, competition on government tenders appears susceptible to corruptive behavior. Pursuant to the FCPA, the U.S. Government requires that American companies requesting U.S. Government advocacy certify that they do not participate in corrupt practices.

UN Convention: Tunisia is a party to the UN Convention.

Tunisia does not have a free trade agreement with the United States. After being approved for Advanced Partner status in 2012, Tunisia is currently negotiating services and agriculture provisions in its Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU.

13. Bilateral Investment Agreements

A Trade and Investment Framework Agreement (TIFA) between Tunisia and the United States signed in 2002 remains active. A meeting of the bilateral Trade and Investment Council in March 2016 helped promote engagement and cooperative reform efforts. A Bilateral Investment Treaty (BIT) between Tunisia and the United States entered into force in 1993. The BIT with Tunisia differs in certain key aspects from more recent investment agreements signed by the U.S.

Tunisia has bilateral trade agreements with approximately 81 countries, including neighbors Libya and Algeria. In January 2008, Tunisia’s Association Agreement with the EU went into effect. This agreement eliminated tariffs on industrial goods with the eventual goal of creating a free trade zone between Tunisia and the EU member states. In addition, Tunisia is signatory to the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group which offers private sector political risk insurance guarantees. Tunisia has signed the WTO Agreement, bilateral agreements with the Member States of the European Free Trade Association (EFTA), and bilateral and multilateral agreements with Arab League members and Turkey.

Bilateral Taxation Treaties

A 1985 bilateral treaty (and 1989 protocol) guarantees U.S. firms freedom from double taxation. In 2013, the Parliament adopted the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

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

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

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

	Host Country Statistical source		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	48,547	2014	48,610	http://www.banquemondiale.org/fr/country/tunisia
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2014	143	2014	360	http://www.bea.gov/international/factsheet/factsheet.cfm?Area=445

Host country's FDI in the United States ($M USD, stock positions)	NA	NA	2014	18	http://www.bea.gov/international/factsheet/factsheet.cfm
Total inbound stock of FDI as percent host GDP	NA	NA	NA	NA	NA

Table 3: Sources and Destination of FDI

N/A – Data not available.

Table 4: Sources of Portfolio Investment

N/A – Data not available.

Section 5 - Government

Chiefs of State and Cabinet Members:

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

Legal system:

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

International organization participation:

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

Section 6 - Tax

Exchange control

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

Treaty and non-treaty withholding tax rates

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

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

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

Section 3 - Economy

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

(Source: CIA World Factbook)

Section 4 - Foreign Investment

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

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

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

Section 6 - Tax

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

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

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Any questions or queries should be addressed to: -

Gary Youinou

Via our Contact Page at KnowYourCountry.com