Doing Business in Tunisia: 2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Tunisia

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According to the U.S. International Trade Commission, in 2013 Tunisia was the United States' 88th largest goods trading partner. Bilateral trade in goods reached $1.54 billion, with U.S. exports to Tunisia totaling $804 million. Top U.S. export categories were petroleum oils, petroleum coke, aircraft, soybeans, seeds, fruit and machinery. Major imports from Tunisia included olive oil, animal or vegetable fats, apparel, and electrical machinery.

Tunisia has a diverse, market-oriented economy. According to the IMF, real GDP growth in 2013 was 2.6%, about 1% below growth in 2012. Real GDP growth for 2014 is expected to tick upward slightly. Unemployment remains frustratingly high at over 15%, with the jobless heavily weighted towards the youth and recent university graduates. With its eye on providing employment opportunities, the Government Tunisia (GOT) is focused on bolstering the country's export sector, foreign investment, and tourism. Key exports include mechanical and electrical industries, textiles and apparel, food products, petroleum products, chemicals, and phosphates. Almost 70% of Tunisia's exports go to the European Union.

According to the Central Bank of Tunisia, export of manufactured goods excluding food products grew at a 6.8% pace in 2013. Energy exports and minerals mainly crude oil and phosphate exhibit high year-to-year variance, depending on market conditions.

Imports rose by 5.8% in 2013, a much slower pace of increase than was registered in 2012. Importation of raw materials and semi-finished products also lagged behind in 2013 as did industrial sector consumption of medium and high voltage electricity. Capital goods imports dropped by 2% after seeing a 14% increase in 2012.

Despite economic uncertainties during Tunisia's political transition following the 2011 Revolution, Tunisia demonstrated moderate growth of 3.7 % in 2012, and 2.6% in 2013. With the formation of a new technocratic government and the adoption of a new constitution in January 2014, investors expressed optimism that macroeconomic stability will continue after presidential and legislative elections late in 2014.

Tunisia offers investment incentives to all investment projects, except those relating to mining, energy and finance. The somewhat dated 1994 Investment Incentives Code promotes the country's overall investment goals. A more up-to-date investment code is being crafted.

According to the GOT's Foreign Investment Promotion Agency (FIPA), overall foreign investment flows for 2013 surpassed $1.2 billion, primarily in the form of foreign direct investment (FDI) with less than 10% in portfolio. This investment stream is below 2012 levels although higher than the tumultuous revolution year of 2011. The energy sector took in over half of all FDI inflows, while industries and services ranked second and third. Foreign investment in agriculture was almost insignificant. According to FIPA, these capital inflows (excluding the energy sector) generated almost 10,000 new jobs in 2013.

At over $123 million, France still ranked first in 2013 in terms of foreign investment in Tunisia. Germany came in second ($38.4 million) followed by Italy ($37.1 million).

About 6.3 million tourists arrived in country in 2013, a moderate increase following very soft years in 2011 and 2012. Much of this growth in tourism came from elsewhere in the Maghreb countries, particularly Libyans. The European tourist market has yet to recover from pre-revolution levels. As a result, overall tourist/bed nights still are significantly lower than capacity. The decline was evident in a number of Tunisia's tourist zones, mainly Yasmine-Hammamet, Monastir-Skanes, and Nabeul-Hammamet. On the other hand, Sousse and Mahdia showed some slight recovery. Tourist receipts in foreign currency grew marginally in 2013 but are still about 8% below 2010 levels.

Consumer prices rose at a 6% rate by the end of 2013, similar to the 2012 pace. This CPI increase is attributable in part to an 8.4% rise in food/beverage prices, notably oils, meat, vegetables, and fruit. A poor 2013 harvest season contributed to the upward price pressures. Inflation is expected to decelerate slightly in 2014.

Tunisia registered a $674 million balance of payments deficit in 2013, against a surplus of $1.3 billion a year earlier. As a consequence, net foreign currency assets at the end of 2013 came to $7.1 billion, corresponding to 106 days of imports. The comparable end-2012 level was $7.7 billion and 119 days. Tunisia's 2013 trade deficit (FOB/CIF) worsened slightly by 1.5% or $110 million over 2012.

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A draft investment code to replace the current twenty year old law is being formulated by the government. The new code could reduce by at least two-thirds the foreign investment activities subject to government authorization. It may also include activities related to renewable energy and introduce new land ownership provisions.

Except for foreign investors who are accorded tax exemption and other benefits, the Tunisian Central Bank must give prior approval and/or apply restrictions to foreign exchange accounts and operations.

Heavy government control: the government and state owned institutions still dominate economic sectors like finance, utilities, and hydrocarbons.

Price regulation and subsidies: the GOT regulates prices of socially important commodities, including sugar, flour, gasoline, propane, milk, and basic cereals. In 2013 Tunisia expended 7.8 percent of GDP in transfers and subsidies. Half of all subsidy expenditures were for energy; such subsidies were non-discriminatory between rich and poor households.

Under the existing investment code, Tunisia employs two investment regimes: “offshore” and “onshore”. Offshore investment, in general, supports export-only goods and services. This investment category benefits from a series of tax breaks and other incentives. Onshore investment is directed primarily for commerce within the Tunisian market. For onshore investment, foreign investors often are required to partner with a local Tunisian firm, subject to some exceptions (see Chapter 6: Investment Climate).

U.S. companies may perceive the Tunisian bureaucracy as cumbersome and slow and find the regulatory environment lacking in coherence and consistency. The GOT decision-making process can be opaque and appear at odds with the government’s official pro-business stance. However, favorable business results can be obtained with adequate planning and sufficiently long lead times.

Imports from the EU often enjoy a considerable price advantage over those from other countries. Most non-food EU products are totally exempt from import duties as a result of Tunisia’s Association Agreement with the EU which was fully implemented in 2008. U.S. products generally enjoy widespread acceptance among consumers, although their perceived edge in quality and technology can be offset by the additional costs associated with their distribution by European intermediaries and the depreciation of the Tunisian Dinar against the Euro and the US Dollar.

The EU and many European countries offer excellent financing terms for trade and Tunisian companies are familiar with these opportunities. Tunisians remain generally unfamiliar with financing opportunities available when purchasing U.S. goods. The U.S. Embassy in Tunis works closely with the U.S. Export-Import Bank (EX-IM), the Overseas Private Investment Corporation (OPIC), and other U.S. organizations to promote awareness of U.S. financing sources. OPIC announced a $2 billion fund for Middle East and North Africa, and Tunisia was recently included in the African Diaspora Marketplace.

Despite lack of familiarity with the market and challenges navigating the bureaucracy, U.S. firms do compete against better-established European companies and win significant Tunisian government contracts, especially in fields demanding cutting-edge U.S. technology. The U.S. Embassy in Tunis actively promotes these sectors as being the most attractive for U.S. companies.

Tunisian law prohibits the payment of foreign currency before documents are presented to the bank confirming that the imported merchandise has entered the country. Documentation is usually in the form of a Tunisian Customs declaration. In past transactions U.S. exporters have used confirmed, irrevocable letters of credit and letters of credit authorizing "payment against documents". U.S. companies should verify with Tunisia’s Central Bank (Banque Centrale de Tunisie) whether they are permitted to receive foreign currency payment for services to customers in Tunisia. This issue has been the source of confusion and occasional difficulty for some U.S. companies in Tunisia.

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Tunisia and the U.S. are signatories to a number of bilateral agreements, including a convention for the avoidance of double taxation (1985), a Business Investment Treaty (BIT) in 1990, and a Trade and Investment Framework Agreement (TIFA) in 2002. The two governments are working to update these agreements subject to Tunisia's continued efforts to implement market reforms. Tunisia continues to make significant political progress including a new Constitution and elected government. Legislative and presidential will be held in the fall of 2014.

For potential U.S. investors, excellent opportunities exist, especially in sectors that would benefit from U.S. technology (hydrocarbons, power generation/renewable energy, aeronautics, transportation, healthcare, and telecommunications). To a lesser extent, good commercial prospects may be identified in more labor-intensive, offshore (export-oriented) industries such as textile/apparel manufacture and assembly, agribusiness, and mechanical/electrical equipment. In recent years, call centers directed primarily to European customers have been established. As democratic practices take root in Tunisia and economic policies are refocused toward development of southern, central, and western Tunisia, opportunities may emerge in infrastructure and investment incentives tied to certain geographic locations.

Due to its moderate Mediterranean climate, extensive beaches, and outstanding antiquities, Tunisia developed an extensive tourism sector. The GOT provides a set of robust incentives for investment in this area. Investment opportunities in tourism include cultural/historical tours, golf packages, and desert tours. Much of Tunisia's tourism infrastructure requires major refurbishment. Niche travel remains under-developed in areas away from Tunisia coastal cities. As the tourism sector rebounds, opportunities may become more evident. Until less expensive and direct flight packages become more widely available, tourism from the United States likely will not expand significantly.

Sales opportunities exist for U.S. agricultural producers. Some bulk commodities such as wheat are highly subject to Tunisia's variable domestic production levels and international competitive market conditions. Corn, soybeans, and some intermediate products such as soybean meal and planting seeds may offer more stable and consistent long-term prospects. The U.S. market share for Tunisia's overall agricultural imports currently hovers around 10%. Despite a price competitiveness gap with the EU and other regional producers such as Russia and Ukraine caused by higher freight costs and preferential access granted to the EU, room for market growth can be exploited.

A sizable market exists in Tunisia for agricultural equipment including tractors, harvesters, and irrigation systems. A GOT decision to privatize grain storage has spurred demand for grain silos and elevators. These represent good opportunities for U.S. suppliers.

U.S. medical equipment, especially in high technology products, may find a receptive Tunisian market. A governmental program to upgrade the country's hospitals and increase the number of private clinics has created a large demand for medical equipment. Medical tourism as a field remains largely untapped.

Liberalization of the market for franchises is viewed by the GOT as a catalyst for SME development and employment generation. Since 2009 Tunisia has made progress loosening its controls over franchising. Excluding food franchises, foreign franchises are now automatically allowed to operate and are treated like any other foreign investment in the onshore sector. Food franchises are not prohibited from operating; rather, they require an additional authorization from the GOT. However, the Ministry of Commerce and Handicrafts has yet to deny a food franchise application. Although not yet official, the GOT may eliminate this requirement soon.

Tunisia is setting a target to obtain 30% of its power needs from renewable energy by 2030. One hurdle to the broader use of clean energy is Tunisia's lack of a renewable energy law. The Tunisian Government also adopted the Tunisian Solar Plan (TSP), which encompasses energy efficiency and renewable energy projects in line with the approach adopted by the Mediterranean Solar Plan. The TSP, which covers the period from 2010 to 2016, is made up of 40 projects in solar, wind, biomass, and energy efficiency with a total cost of $2.7 billion. These projects present good opportunities for U.S. suppliers.

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

Entering the domestic market, particularly in the services sector, is more difficult. The foreign company must have a 51% (majority) Tunisian partner in most sectors. Unless the company is working on a project actively solicited by the Tunisian government, or in some cases, closely associated with one of the country's well-connected business groups, the process can be fraught with obstacles. As the GOT looks to increase foreign investment by amending the investment code, these requirements may ease up.

U.S. companies are strongly advised to obtain written confirmation from Tunisian authorities of any exceptional conditions granted to a particular trade or investment operation. The U.S. Embassy also encourages U.S. companies to visit Tunisia prior to entering into a business relationship with a local partner.

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Chapter 2: Political and Economic Environment

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

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

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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

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

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

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

Establishing a company is only the initial step toward commencing operations in the Tunisian market. Firms may need to complete a wide range of regulatory, licensing, and logistical procedures before introducing their products or services to the market. This can be a long process, but the active involvement of FIPA can speed it up considerably.

FIPA's simplified procedures are not applicable to all commercial activities. The following activities require prior approval from relevant government agencies: fisheries; tourism; transportation; communications; education and training; publishing and advertising; film production; health; real estate development; weapons and ammunition; machine-made carpets; waste treatment and recycling; and manufacture of wine, tobacco, and edible oils.

Franchising

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In 2009, the GOT passed legislation defining franchising for the first time. Before this law, franchises were approved to operate on a case-by-case basis. The following year, the GOT issued contract provisions and published a sector list in which franchises would need no prior authorization to operate in Tunisia. Royalty repatriation is permitted by the Central Bank.

Franchises on the sector list can automatically enter into a contractual agreement with a Tunisian franchisee without any additional authorization from the GOT. Franchises not on the sector list must receive additional approval to operate. The requirement for approval does not mean it will be denied, but is an extra step the franchisee must take in order to bring a franchise to Tunisia. Government officials indicated an interest in eliminating this requirement for food franchises and fully liberalizing the sector; no application for a food franchise has yet been denied by the GOT. As the GOT demonstrates that franchises have a space in the economy, Tunisian business groups confident the market exists for franchises to thrive have already started looking for international franchises.

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

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Direct marketing is still in its infancy and currently is not an optimal way to introduce new products to Tunisia. Tunisian business is largely dependent upon personal relationships. Customers increasingly expect access to after-sales service and are sometimes reluctant to purchase new products, technologies, or brand names in the absence of a local representative.

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When selecting a local partner, U.S. companies should be rigorous in conducting due diligence. There are several examples of very successful U.S./Tunisian joint ventures. The Embassy recommends, however, that U.S. firms retain management control of any joint venture company. Joint venture agreements should also clearly establish a binding dispute settlement procedure (such as referring cases to the International Court of Arbitration) acceptable to both parties. Licensing agreements have also worked well, but may require periodic visits to ensure adherence to quality control and other standards.

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

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

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

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

Submitted bids that do not meet tender specifications, even if technically superior to the solicited proposal, usually will be disqualified. Bids that are not delivered right at the tender deadline may be disqualified without further consideration. U.S. bidders interested in submitting proposals at variance with the tender specifications should do so only as a clearly identified alternative to their principal, fully conforming bid. They should further ensure that submission of an alternative bid does not disqualify the main offer.

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

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

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

While U.S. bids have typically been very competitive on price and technology, European firms usually benefit from stronger financing packages and links to the local economy. Both U.S. and European companies are disadvantaged by generous financing programs offered by countries, such as China, that are not bound by OECD regulations.

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

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Tunisian law does not allow wholesale or retail marketing by foreign businesses. The Tunisian government restricts domestic market distribution to Tunisian nationals. Every joint venture with a foreign investor is considered an exception subject to a license dependent on the advantages of the project to the Tunisian economy. This process allowed the opening of several hyper/supermarkets, set up under joint ventures, with France's Carrefour and Casino groups. Legislation designed to protect smaller businesses from such competition limits the number of hypermarkets authorized in a specific area.

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

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Although Tunisia's official language is Arabic, French is widely spoken, especially in business. Many Tunisians also speak English, Italian, or German. Business documentation should be in French. Fax remains the favored means of business communication, although Tunisian companies increasingly utilize email for business dealings.

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Tunisia lags in the use of e-commerce. Credit card operations and accounts have only recently appeared. Tunisian credit cards are **not** convertible to hard currency. Thus, they cannot be used for purchases made on foreign commercial internet sites. Debit cards can be used for domestic internet payment for some services, including public utilities and university registration.

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

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

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Many Tunisian companies are beginning to exploit advertising and trade promotion techniques as the marketing sector expands rapidly. Marketing/advertising opportunities include sporting event sponsorship, industry-specific trade fairs, direct mail, outdoor/vehicle advertising, print media, and, to a lesser extent, electronic media. Company sponsorship of television programs, particularly locally-produced programs, is growing rapidly. The local print media in Tunisia accepts paid advertising. There are accepted standards for advertising, with references to religion generally not permitted. Local attorneys or marketing specialists can advise foreigners on the acceptability of various aspects of a promotional campaign.

For marketing purposes, urban society in Tunisia is heavily influenced by European standards. Broadcast media has begun to saturate the listener and viewer market. The state-run Tunisian broadcasting authority, ERTT, broadcasts two Arabic-language television channels and transmits programs from Italy's Rai Uno. Satellite television is increasingly popular, and Tunisians closely follow Arabic satellite channels such as al-Jazeera. During the 2000s, private radio stations such as Mosaique, Hannibal, Nessma, El Jawhara, Shems FM and Express FM were launched. Radio Zaitouna, one of Tunisia's most popular radio stations, features mostly religious content and does not accept advertising. After the 2011 revolution, many private TV channels (such as El Mutawassit, TNT, Zaitouna TV, and El Janoubia) and radio stations (such as Cap FM, IFM, Radio 6, Kalima, Oxygen FM, etc.) were introduced.

Foreign commercial television advertising is accepted but under standards applied even more strictly than for print media. For advertising in newspapers, websites, private radio stations and private TV channels, the cost is equal for foreign or local-origin goods. However, state-run ERTT charges 250% more for advertising foreign-origin goods if there is a direct national competitor for that product.

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

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Except for subsidized local food products or higher-priced regional imports, products in Tunisia's urban markets are priced at levels roughly equivalent and sometimes slightly below prices in major U.S. urban centers.

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

In the past, possibly because of language or cultural differences, U.S. suppliers of manufactured goods appeared reluctant to deal directly with Tunisian distributors. Many local distributors express strong interest in eliminating the middleman – usually the European office that has responsibility for the regional market.

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Tunisian consumers are becoming accustomed to after-sales service and frequently expect a higher degree of customer support. Consumer protection in Tunisia remains based on 1992 legislation (Law 1992-117). A government designed standard sales contract details requirements for retail and manufacturer product guarantees. The model contract is included as an annex to a 1999 law requiring specific clauses in all guarantees of electronic and household equipment. The law stipulates that technical instructions be provided in Arabic and French or English. It also specifies verification of the proper functioning and good condition of merchandise and includes a schedule of reimbursements to be made if faulty merchandise cannot be adequately repaired within 15 days of notification from the consumer. Application of this legislation is not uniform.

Protecting Your Intellectual Property in Tunisia Return to top

Introduction

The 2014 Tunisian Constitution contains clauses that give priority to building a knowledge economy and provides for protection of intellectual property rights (IPR). Tunisia is a member of the World Intellectual Property Organization (WIPO) and signed onto the United Nations (UNCTAD) Agreement on the Protection of Patents and Trademarks. Tunisia has updated its legislation to meet WTO requirements on Trade-Related Aspects of Intellectual Property (TRIPS). The GOT asserts Tunisia is in conformity with its international obligations, although the government recognizes it falls short with implementation of IPR rules. The GOT also is open to modernization of its IPR regime.

The Embassy recommends all owners of IPR develop an overall strategy to protect their intellectual property rights, recognize that IPR protections are applied differently in Tunisia than in the United States, and utilize Tunisian law for IPR registration and enforcement.

As the global expansion of IPR-related materials continues to accelerate to include domain names, geographic indicators, satellite signals, photography, sounds, and even smells, the rules in countries such as Tunisia for governing this growing universe have not kept up. Protection against unauthorized IPR use depends, basically, on the national laws of the host country. While foreign trademark and patent registration may not be fully protected, most countries including Tunisia do offer copyright protection to foreign works under specific conditions. These conditions have been simplified by international copyright treaties and conventions and are constantly being negotiated.

Registration of patents and trademarks in Tunisia is conducted on a first-in-time, first-in-right basis. Companies should consider applying for trademark and patent protection prior to the sale of their products or services in the Tunisian market.

Intellectual property is primarily a private right; the U.S. Government generally cannot enforce rights for private individuals in Tunisia. It is the responsibility of the right holders to register, protect, and enforce their rights where relevant. Companies may wish to seek advice from local attorneys or IPR consultants expert in Tunisian law. The U.S. Embassy can provide a list of local lawyers upon request.

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

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

For small and medium-size companies in particular, working together with trade associations and organizations to support efforts to protect IPR is usually a smart move. There are a number of these organizations, both Tunisia and U.S.-based. These include:

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

IPR Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.

- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

- For information on obtaining and enforcing intellectual property rights and market-specific IPR Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

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

IPR Climate in Tunisia

In line with its international obligations, Tunisia possesses extensive legislation to protect intellectual property rights. Tunisian law provides for copyright and trademark registration and protection. The government has made considerable advances in the stricter application of these laws. Customs officials may inspect and seize goods if copyright violation is suspected. Unfortunately, in many cases since the 2011 revolution, border control and customs enforcement are implemented less zealously. This has led to widespread smuggling of illegal goods from neighboring countries.

Print, audio, and video media are especially susceptible to copyright infringement. Illegal copying of software and entertainment CDs/DVDs is widespread. While Tunisian law prohibits disclosure of research and other proprietary information submitted during patent and marketing licensing application, U.S. companies contend GOT controls are insufficient to prevent the use of such data.

Copyright protection is the responsibility of the Tunisian Copyright Protection Organization (OTPDA – Organisme Tunisien de Protection des Droits d'Auteur). To assure IPR enforcement for trademarks and industrial designs, U.S. firms must register with the Tunisian Institute for Standardization and Industrial Property (INNORPI - Institut National de la Normalisation et de la Propriété Industrielle).

INNORPI is authorized to centralize trademark registrations in the commercial register and issue certificates of priority on the registered trade names. Recent U.S. Government-supported initiatives, such as the U.S. Department of Commerce's Commercial Law Development Program and U.S. Patent and Trademark Office seminars, provided training to Tunisian decision makers in the field of IPR regulation and enforcement.

The U.S. Government continues to advocate for strengthening Tunisia's IPR enforcement.

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

Due Diligence Return to top

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

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

Local Professional Services Return to top

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

Web Resources Return to top

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

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

Commercial Sectors

- Telecommunications Equipment/Services
- Electrical Power Systems and Renewable Energy
- Aircraft/Airport Ground Support/Aeronautics
- Automotive Parts/Services/Equipment
- Architecture/Construction/Engineering Services
- Pollution Control Equipment
- Insurance
- Franchising
- Agriculture

Telecommunications Equipment/Services

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Following international trends, Tunisia possesses a very buoyant market for telecommunications products and services. Since 2001, penetration rates for fixed and mobile phones increased rapidly, reaching in 2013 tele-density over 125%, i.e. there are 25% more phones than people. With over 12.7 million mobile lines already, Tunisia enjoys one of the highest mobile phone subscriber rates in Africa. At the end of 2013, an estimated 5.66 million Tunisians accessed the internet, although less than a quarter of these people are actual subscribers to internet service.

Tunisia meets in full its WTO telecom service sector commitments and provides full market access and national treatment for foreign telecom service providers. Since the market opened up to foreign competition in the early 2000s, U.S. companies have not actively sought cellular network licenses from the Tunisian Government. Significant business opportunities exist in the telecom sector, particularly with the expansion of call centers.

Mobile and Fixed Telecommunication Networks

Tunisia’s mobile services market continues to expand although at a somewhat slower pace than a few years ago. The playing field for foreign companies to operate in Tunisia remains fairly level with no evident competitive advantage for state-owned telecom enterprises. Three major operators control the mobile services market. Tunisia's largest telecom company is Ooredoo (Orascom Telecom Tunisia). In 2012, Ooredoo had 6.7 million mobile subscribers (52.9% of the market). Tunisie Telecom claimed 4.4 million subscribers (34.6%) and Orange Tunisie had 1.6 million subscribers (12.5%).

Within the sector some corporate flux is taking place. Ooredoo underwent significant ownership change in recent years. Through its subsidiary Wataniya, Qatar Telecom (Qtel), in consortium with Zitouna Telecom, took 75% ownership of Ooredoo in early 2011. Its 25% minority portion, however, was linked to members of former President Ben Ali's family and was swiftly nationalized following the 2011 revolution. The nationalized shares in Ooredoo were put up for sale in 2012 and Qtel bought an additional 15% stake in the company bringing its total shares in Ooredoo to 90%. The Ministry of Finance announced that the government’s remaining 10% will be sold on the Tunis stock exchange. This public sale has yet to be done. Meanwhile, the company continues to operate profitably.

In 2010 the French-Tunisian consortium Orange-Divona Tunisie became majority shareholder in Orange Tunisie, whose capital is 51% Tunisian and 49% French (via France Telecom). However, when the Tunisian government froze assets of family members and close associates of former President Ben Ali in 2011, the majority portion of Orange-Divona was affected. Since being taken over by the government, the company is currently managed by a public administrator. Service to its customers, however, continues uninterrupted.

Internet

Tunisie Telecom is Tunisia's leading provider of internet services. The company operates a 160 mile long fiber optic cable, symbolically dubbed "Hannibal," between Kelibia, Tunisia, and the Italian city of Mazara. Service on Hannibal is expandable to 3,200 gigabytes per second (Gbps). Hannibal is one of the most important telecommunications connections in the Mediterranean and ensures the country's digital independence. Not only does the link augment Tunisia's telecommunication capacity seven-fold, it enhances Tunisia's IT connection and broadband capacity sufficiently to enable the delivery of high speed internet service elsewhere in Africa. This makes Tunisia a strong potential regional IT hub.

In 2010, Tunisie Telecom acquired TopNet, the leading internet provider in Tunisia at the time. Soon after, the company launched the country's first third generation (3G) mobile service. Tunisie Telecom announced it would go public on both the Tunis and Paris stock exchanges but has since postponed its listing plans.

Although still in its infancy, Tunisia's e-commerce industry is poised for substantial growth. Approximately seven hundred Tunisian companies operate e-commerce sites with a turnover estimated by the Ministry of Trade & Handicrafts at over $50 million in 2013. Due to foreign currency restrictions, Tunisians are unable to use Tunisian credit and debit cards for international e-commerce transactions.

Best Prospects/Services Return to top

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

Opportunities Return to top

Call centers represent a new and rapidly expanding service industry in Tunisia. The country's communications infrastructure, coupled with skilled, linguistically-capable human resources, supports this industry well. There are over 225 call centers in operation, employing 17,500 people, as of 2014. They serve primarily French-speaking clients, although some serve the Italian market. At least one, specialized in the health sector, operates in English serving the UK market. A few U.S. companies, for example Stream Global Services, operate call centers in Tunisia, primarily to serve the European customers.

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

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Ministry of Communications Technology	www.mincom.tn
ATI (Agence Tunisienne d'Internet - National Internet Agency)	www.ati.tn
Tunisian Postal Service	www.poste.tn
FIPA (Foreign Investment Promotion Agency)	www.investintunisia.tn
Tunisian Industry (government site)	www.tunisieindustrie.nat.tn

Electrical Power Systems and Renewable Energy

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Tunisia’s power sector is well developed; over 99% of the population enjoys access to the national electricity grid. However, as a result of post-revolution delays in power plant construction, the power sector does not possess slack generation capacity and is susceptible to brownouts. The state utility company Société Tunisienne d’Electricité et du Gaz (STEG) is hard pressed to meet peak summer electricity demand, let alone keep up with Tunisia’s annual 5.4% growth in power consumption.

Natural gas currently supplies around 94% of Tunisia's electricity generation needs. Another 2% is produced from renewables, solar and wind. Nearly 40% of Tunisia’s gas comes from the country’s offshore Hasdrubal and onshore Miskar fields, both operated by British Gas. Tunisia has a current power production capacity of 4,307 MW generated by 25 power plants. Power generation projects at various stages of design and development must meet an expected doubling in electricity demand over the next 15 years.

The GOT indicates that it views independent power projects (IPPs) as the best way to meet Tunisia's future needs. However, STEG continues to resist private investment in the sector. Tunisia's current legal framework allows IPPs when there is a direct industry end-user. Up to 30% excess generated power from the IPP may be sold back to the STEG grid. Direct electricity sales by IPPs to STEG are permitted only on a case-by-case basis. Tunisia currently has two IPPs which at present produce over 20% of Tunisia's electricity generation. The Tunisian government intends to amend existing legislation to encourage IPPs and promote renewable energy technologies.

Tunisia's largest IPP, a 471 Megawatt (MW) combined cycle power station, began operations in 2002. The U.S.-led consortium Carthage Power Company built the $260 million power plant as a joint venture between the Public Service Enterprise Group (PSEG) of New Jersey and Marubeni (Japan). PSEG’s 60% stake was subsequently sold to Persian Gulf investors. Tunisia’s second IPP, Société d’Electricité d’El Bibane (SEEB) is a joint venture between Caterpillar Power Ventures and Candax Energy, Inc. (Canada). SEEB successfully pressed for legislation to permit it to supply electricity to STEG. It produces 27 MW for the national grid. General Electric (GE) has been successful in marketing gas turbines in Tunisia. A private U.S. initiative to produce electricity from flared gas is also in operation.

To meet increasing demand for electricity and, concurrently, promote energy conservation, the GOT allows private companies and households, utilizing co-generation and renewable energy technologies, to produce electricity for their own consumption. Up to 30% of excess electricity can be sold exclusively to STEG at a fixed price. To encourage energy conservation, the Tunisian government may provide grants and incentives that are allocated to energy conservation projects.

Best Prospects/Services

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Although renewables currently represent a small fraction of total electricity production, the potential for growth in wind and solar power generation is significant. The Tunisian government is highly interested in diversifying into renewable energy technologies. Hydrocarbon-based generation will continue to dominate Tunisia's overall energy picture.

During the last five years, STEG was active in launching power projects, much of which utilizes GE combined cycle technology. In 2009 the Tunisian government awarded contracts to the Italian-Canadian consortium Ansaldo and SNC Lavalin to construct two power projects: a turn-key combined-cycle “single shaft" 400 MW power plant in Sousse and a 400 MW combined-cycle facility to be built in Bizerte (this project was initially designated as an IPP, but ultimately STEG decided to own and operate it and moved it to Sousse, naming the project “Sousse D”.) Both projects are currently experiencing delays. This places additional pressure on STEG’s capacity to meet peak demand. Responding to an emergency need for additional power capacity before the summer of 2013, GE sold STEG two gas turbines with a total capacity of 256 MW for installation at Bir Mcherga. A tender was issued in 2014 to build a 430 to 500 MW power plant in Rades, near Tunis. STEG is expected to launch an international tender for the construction of two additional power plants of 300 MW each in Manouba. All are slated to enter into production by 2017 and 2018.

Growing domestic electricity demand makes the Tunisian market ripe for renewable energy development. According to government officials, Tunisia will have 245 MW of new wind power by the end of 2014, a realistic 5-7% target. Officially, the GOT goal is to raise national energy production from renewables to 16% by 2016, although 11-12% may be more achievable. Energy from renewables still remains a stated priority of the GOT.

Tunisia and Japan signed a cooperation agreement on renewable energy in 2010. The agreement included a $25 million Government of Japan grant to install a 5 MW pilot solar-thermal plant in El Borma (southern Tunisia); the project is not yet built. An Italian-Tunisian joint venture, SITEP (Société Italo-Tunisienne d'Exploitation Pétrolière), and STEG Renewables agreed to construct a 40 MW combined cycle power plant connected to the Japanese solar pilot plant in order to meet SITEP’s power needs.

Although the GOT announced its intension to develop a 900 MW nuclear power plant production by 2023, it is highly unlikely a post-revolution government will back such a program. The Tunisian Government has not been proactive in the nuclear energy arena.

Opportunities

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Excellent commercial opportunities exist for sale of power generation equipment to GOT-operated and IPP electricity projects. The sector also offers opportunities for possible Build-Own-Operate (BOO) or Build-Operate-Transfer (BOT) projects. Much of Tunisia's electricity production comes from GE gas turbines. Major European players in this sector include ALSTOM (France) – pending a merger with GE, SNC Lavalin (Canada), Ansaldo (Italy), and Siemens (Germany).

The GOT announced a large joint Tunisian/Italian power project named El Med. The project consists of a 1200 MW power plant at Hawaria with 800 MW of power designated for transmission to Italy. Terna S.p.A., Italy's electricity transmission operator, and STEG would operate as joint venture partners. The electrical interconnection would be via undersea cable to Sicily. Due to Tunisia's ongoing political transition, the selection of the contractor to build the system was postponed to an undetermined future date. The power plant will likely be source neutral, although gas, coal, and wind have all been proposed as energy sources. The project reserves 200 MW of the 1200 MW for renewables. Desertec, a German-funded initiative to connect the MENA and EU power grids and use renewable energy to export "green" energy from North Africa to Europe, may also facilitate renewable energy investments in Tunisia.

Various Trans-Maghreb projects including a plan to expand electricity transmission and distribution networks across North Africa are delayed indefinitely. Tunisia's national grid is already connected to Algeria's and Libya's grids.

Opportunities exist in renewable energy, especially when the GOT implements the Tunisian Solar Plan (TSP). The TSP includes 40 projects with a total cost of $2.8 billion and encompasses all fields of energy efficiency and renewable energy. The plan is in line with the approach adopted by the Mediterranean Solar Plan and the Desertec project.

TSP projects include:

- Solar Thermal Energy - "Thermal PROSOL" -- in six projects ($290 million est.);
- Solar Power -- "Electric PROSOL" -- in 11 projects ($900 million) The two major projects under this category are:
    1. Construction by STEG of a 25MW Concentrated Solar Power (CSP) plant integrated to a 120 MW Combined Cycle unit ($255 million);
    2. Construction of a 75 MW CSP plant of whose production will be totally or partially exported. The project will be a partnership between STEG and the private sector ($324 million);
- Wind Energy: Three large projects are under this category:
    1. Implementation by the private sector of a 60 MW self-production power plant based on wind energy for the supply of Big Power Consuming Facilities, such as the cement industry ($135 million);
    2. Implementation by STEG of a 120 MW wind farm ($259 million);
    3. Implementation by the private sector of a 100 MW wind farm whose production will be totally or partly exported ($200 million).

The GOT announced that it will publish an updated version of the TSP by the end of 2014.

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Ministry of Industry	www.tunisieindustrie.nat.tn
ETAP (Entreprise Tunisienne d'Activites Petrolieres Tunisian Enterprise for Petroleum Activities)	www.etap.com.tn
STEG (Société Tunisienne de l'Electricité et du Gaz - state-owned Gas and Electricity company)	www.steg.com.tn
FIPA (Foreign Investment Promotion Agency)	www.investintunisia.tn
ANME (National Agency for Energy Conservation)	www.anme.nat.tn
Tunisian Solar Plan	www.plansolairetunisien.tn

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Aircraft/Airport Ground Support/Aeronautics

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Following three years of malaise, Tunisia's aviation sector is poised for growth. Discussions are on-going with the EU on an Open Skies Agreement; if successful, the agreement could lead to greatly expanded air service to European destinations. In 2009, Tunisia signed an Air Transport Agreement with Canada. As a result, Montreal is currently the only direct destination in North America for Tunisian carriers. The GOT has indicated interest in the negotiation of an Open Skies Agreement with the United States.

Seven Tunisian airlines operate in the country, two state-owned and five privately held. Under increased competition from domestic and foreign carriers, Tunisair, the country's national flag airline and the major carrier serving Tunisia's international market, announced it would launch new routes, particularly to African and Middle East destinations. The company currently operates thirty-two aircraft (23 Airbus and 9 Boeing). To replace its aging fleet, Tunisair announced procurement of 16 additional Airbus aircraft (ten A320s, three A330-200s and three A350-800s). As part of this deal, Airbus opened a parts factory that created 2,000 jobs and enhanced the country's aeronautical industry. The A320s and A330s will support Tunisair's strategic positioning in the Mediterranean market. Delays on delivery of longer-range aircraft, particularly the A350s, deferred Tunisair plans to inaugurate North American routes by 2017.

Political unrest and economic uncertainty following the 2011 revolution contributed to reduced passenger loads on Tunisair and placed additional pressure on the company's already weak bottom line. Tunisair remains heavily subsidized by the GOT which continues to exempt it from taxes on profits. After the revolution and under pressure from Tunisia's major workers union, Tunisair reintegrated the company's affiliates – a move which had an additional negative impact on the company's financial situation. In late 2012, Tunisair announced a restructuring plan that included inauguration of new destinations and employee layoffs. Political sensitivities regarding layoffs delayed the plan's implementation. Meanwhile, passenger traffic on Tunisair for the first half of 2014 showed a strong rise over the same period in 2013.

Tunisair Express (formerly Sevenair), Tunisia's second publicly-owned airline and a subsidiary of Tunisair, operates domestic and short distance international flights through a fleet of two ATR (Aerei da Trasporto Regionale or Avions de Transport Régional) turboprops and one Bombardier CRJ jet aircraft. Of Tunisia's five private airlines, the two larger ones, Nouvelair and Karthago Airlines, were merged in a joint ownership arrangement. Nouvelair/Karthago's combined fleet of twenty-one aircraft (15 Airbus 319s and 320s and 6 Boeing 737s) primarily service European tour operators. Because Karthago Airlines' former majority owner was the brother-in-law of former President Ben Ali, it has been partially nationalized.

Tunisavia, a private commercial fixed wing and helicopter operator, services desert and offshore petroleum installations. A relative newcomer to the aviation scene is Syphax Airlines. Syphax offers service to smaller European destinations such as Slovenia and

Croatia as well as to the lucrative Paris market. It also flies to Libya, Saudi Arabia, Morocco and Canada. The company purchased an Airbus 330-200 to serve the Montreal route and has firmed up an order for three Airbus A320neo and three A320ceo narrow-body aircraft. The aircraft will be powered by engines from the CFM International joint venture of General Electric and Safran, a world leader in the field of propulsion and onboard aviation systems. According to Airbus, the Syphax Airlines order is the first time an African based carrier purchased the Airbus A320neo.

Since 2000, the country's aerospace industry has expanded significantly. In 2014 fifty-five export-oriented aerospace companies, mostly French, operated in Tunisia across a wide range of sectors, including aircraft maintenance, aerospace wiring, engineering and consultancy, metal sheet cutting and assembly, software development, and electronics. As a result of a 2009 Memorandum of Understanding between EADS (reorganized as Airbus Group in 2014) and the GOT, EADS launched an aeronautical industrial zone near the port of Rades. Built by Aerolia (the EADS subsidiary that resulted from the restructuring of the European aircraft manufacturer) the plant constructs aircraft subassemblies for Airbus. The facility employs about 700 people.

Latécoère, a major supplier of Airbus, runs two cable factories employing 800 people. In conjunction with Aerolia, Latécoère announced the construction of a third production site. These projects seek to create a complete and complementary avionics supply chain system. In partnership with Telnet Holding, a high-tech Tunisian engineering company, Safran established a production unit attached to the Aerolia plant. The production unit specializes in manufacturing sophisticated electronic components as well as embedded software.

Consisting of almost forty member companies, the Tunisian Aerospace Industry Association (GITAS) is the leading Tunisian aerospace industry trade organization. It is dedicated to the development and expansion of a more favorable environment for Tunisia's aerospace sector.

With an initial capacity of 7 million passengers annually, the first phase of a new international airport at Enfidha being built by the Turkish Holding Company Tepe Akfen Ventisres (TAV) under a 40 year concession was finished in 2009. Originally conceived as a potential hub for flights to sub-Saharan Africa, the airport remains underutilized and expansion plans for it are suspended indefinitely. Currently, the airport operates mostly charter flights, and it has absorbed passenger traffic from the nearby Monastir airport. It is unclear whether Enfidha will ever become a viable alternative to Tunis Carthage International Airport, 90 kilometers away, which eventually will require expansion.

Opportunities Return to top

Following Tunisia's 2011 revolution, Tunisia's tourism sector took a dive from which it has yet to recover fully. The decrease in tourism negatively affected Tunisia's air carriers. However, Tunisia's tourism sector is currently on an upward trajectory, albeit well below its previous peak. Private sector airlines, in particular, appear to be exploiting underserved European markets. Open Skies Agreements with the EU and, perhaps, eventually with the United States would expand competition and allow lower airline ticket prices for cost sensitive tourists.

Regarding aeronautics, Tunisia has positioned itself as an industrial hub with high added value capability in the manufacture of avionics, aircraft servicing, engine components, air traffic control equipment, and other areas. The GOT provides tax breaks and other incentives for foreign investment in this sector. Meanwhile, Tunisia offers an educated, relatively low-cost workforce including trained engineers and very close proximity to Europe.

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Tunisian Ministry of Transportation www.ministeres.tn
Tunisair (Tunisia's national air carrier) www.tunisair.com.tn
OACA (Office de l'Aviation Civile et des Aéroports - Civil Aviation Agency) www.oaca.nat.tn
FIPA (Foreign Investment Promotion Agency) www.investintunisia.tn/
Tunisian Industry (government site) www.tunisieindustrie.nat.tn

Automotive Parts/Services/Equipment

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Automotive sales and service is one of Tunisia's major economic sectors. Despite some local car assembly in the 1960s-80s, no vehicles are manufactured or assembled in the country at present. The GOT utilizes a strict quota system that caps the number of vehicles allowed into the country annually. The quota thresholds take into consideration Tunisia's trade deficit, market demand for new vehicles, and investment arrangements among foreign car makers and domestic parts manufacturers. All vehicles older than five years, including heavy trucks, are prohibited entry. Tunisian customs applies a graduated tax on all vehicle imports that rises with vehicle age up to the five year limit. The smuggling of vehicles into the country is not a significant problem.

Total number of passenger cars in circulation is around one million. In 2013, sales of new passenger cars and pick-up trucks reached 47,960 vehicles, a slight decrease of 2.7% compared to 2012. The Tunisian automobile market is heavily dominated by European brands: Renault, Volkswagen, Peugeot, Fiat, and Citroen. Both GM (operated in Tunisia under the GM, Chevrolet, and German-made Opel brands) and Ford are present. However, market share for American make cars remains under 12%. Meanwhile, Toyota and other Far East manufacturers have not yet established a significant foothold in Tunisia. A market for hybrid powertrain vehicles is also undeveloped.

Automobiles with large capacity engines carry a higher consumption tax, with rates rising to up to 277% for gasoline engines and 360% for diesel-fueled engines. The Government reduces these rates to 67% and 88% respectively if imported via authorized distributors. The reduced tax scale is intended to allow the price of automobiles sold through authorized dealerships to be competitive with vehicles purchased privately in Europe, and elsewhere, and shipped back to Tunisia. After the 2011 revolution, the nationalization of Ben Ali family assets affected some auto dealerships, effectively turning them into government-owned entities. Most of these entities have already been sold off.

In a government sleight of hand, the price of fuel to the consumer reflects both tax and subsidy components. As a result, the pump price for diesel and gasoline reflects global oil prices and is comparable to fuel costs in the United States. Tunisian drivers pay more than counterparts in neighboring countries Libya and Algeria but substantially less than European drivers. Two grades of diesel and unleaded fuel are available. Many Tunisian drivers believe the lower priced, domestically refined diesel fuel may contaminate injection system engines and necessitate more frequent parts and servicing. In any case, questionable quality fuel contributes to the buoyant Tunisian market for spare parts and accessories.

Best Prospects/Services

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The Tunisian market presents opportunities for midsized U.S. model vehicles, including pickups and SUVs. Tunisian dealers express interest in representing U.S. auto manufacturers. Expansion of the market for U.S. brand vehicles will contribute to increased demand for U.S. automotive parts and components. Dealer service departments will remain a potential profit center as well, despite the proliferation of mechanic shops.

Opportunities Return to top

With the post-revolution restructuring of the automotive sector, a broader market for more foreign brands is inevitable. U.S. manufacturers should be sensitive not only to the current European-dominated market structure but also to the potential of new market entrants, especially from Asia.

Investment in the manufacture of automobile components for export is a priority sector for the GOT. Operations dedicated for export of automotive parts to European markets offer promise. Several U.S. companies already successfully invested in this sector. For domestic sales, Tunisians can be very price sensitive and the price of spare parts often trumps quality.

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Tunisian Ministry of Transportation	www.ministeres.tn
Tunisian Ministry of Trade and Handicrafts	www.commerce.gov.tn
Technical Agency for Land Transport	www.attt.gov.tn

Architecture/Construction/Engineering Services

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Development of Tunisia's infrastructure, particularly in the country's south-central region, may accelerate after national elections and the inauguration of a new government. For now, most large government-funded projects launched before the revolution are on hold. U.S. vendors of heavy equipment may find potential business in highway construction being done by Tunisian contractors. On the private sector side, noteworthy construction projects have been launched by Gulf-based companies. The largest are commercial/residential housing construction projects, primarily in Tunis' suburbs. These investments include a $5 billion sports city (to be developed by the Emirati Bukhatir Group) and $3 billion to develop the Tunis Financial Harbor (by Bahrain's Gulf Finance House).

Opportunities

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One of Tunisia's largest development projects of recent years was launched in Enfidha, south of Tunis. The Ben Ali Regime hoped to transform the region into an international logistical transportation hub already served by Tunisia's highway and railroad systems. A 3,000 hectare industrial zone was opened. The current government remains undecided whether to move forward on developing a deep-water BOT container port close to the existing TAV airport project. Initial feasibility studies were carried out which examined the proposed port. A decision on the project appears to be delayed indefinitely. Analysts note the site, located on wetlands, may have environmental issues that could require Ministry of Environment attention. The port site itself would necessitate extensive dredging. Bizerte is also competing to become Tunisia's regional container hub.

Major road construction projects include a 70 km addition to the existing western toll highway to Bou Salem. Due to regional political issues, extension of the existing Tunis-Sfax highway to reach Gabes and then Ras Jedir on the Libyan border, planned for a 2014 completion, is now less urgent. Studies have begun on a 60 km highway from Tunis to El Fahs, in the direction of Kairouan, (central Tunisia) which ultimately would be extended to Sidi Bouzid, Kasserine, and Gafsa. In these projects, Tunisian companies manage the construction. Some U.S.-manufactured heavy equipment such as Caterpillar earth movers is being utilized.

In the works since the 1970s, the regional Arab Maghreb Union (UMA) highway project to link Nouakchott, Mauritania, to Cairo, Egypt, is on long-term hold. Tunisia completed most of its portion of the UMA project; the only national portion of the highway network not yet complete or under construction is the short stretch between Bou Salem and the Algerian border.

Major commercial/residential projects under construction are proceeding at a slow pace. Located on 250 hectares on the northern shore of Tunis Lake near the existing Berges du Lac development, the $5 billion Tunis Sports City project, being built by the Emirati Boukhatir Group, is still moving forward. While plans include nine sports academies, a golf course, and a residential zone, there is strong likelihood more ambitious aspects of the projects will be eliminated.

After years of delays, Gulf Financial House (GFH) confirmed it still plans to build the Tunis Financial Harbor project in Tunis' northern suburbs. In early 2014 GFH and the GOT signed an agreement to allow GFH to proceed with construction. If completed, it would be North Africa's first “offshore” financial center. The project is slated to include business and banking services, a "takaful" insurance center (a form of insurance that complies with the principles of Sharia), a business school, and residential units.

Headquartered in Tunis since 2003, the African Development Bank is relocating back to Abidjan, Ivory Coast, in 2014. The Bank has been a major source of financing for the country’s infrastructure projects.

U.S. companies could become involved with major infrastructure projects through the provision of engineering services, heavy equipment, highly specialized building materials, and safety and security systems. Italian and Turkish companies are already closely linked with Tunisian construction firms. Partnering with Tunisian enterprises is vital for extended involvement in this sector

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Tunisian Ministry of Transportation	www.ministeres.tn
OMMP (National Ports Office)	www.ommp.nat.tn
African Development Bank	www.afdb.org

Pollution Control Equipment

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Water & Wastewater

Due to its arid and semi-arid climate, overexploited water resources, and growing population, Tunisia faces increasingly severe water shortage problems. Throughout much of the country, water does not meet potable standards. Only half the population is served directly by the national water utility, La Société Nationale d'Exploitation et de Distribution des Eaux (SONEDE). In rural areas Agricultural Development Cooperatives (GDA) generally utilize shallow and deep wells and tap onto SONEDE pumping stations and distribution networks. As a result, aquifer levels are declining at an alarming rate.

Tunisia's Water Code governs the allocation of water resource with priority to the supply of potable water for urban consumers. Less attention is given to the requirements of the country's industrial, tourism, and agricultural sectors.

Tunisia's major urban areas, including Tunis, Sfax, Gabes, and Djerba, already confront water supply constraints. To promote conservation and sustainability of Tunisia's water resources, the GOT recognizes the need to exploit non-conventional water resources such as the reuse of reclaimed urban and industrial wastewater, desalination, artificial recharge, and rainwater harvesting. Five desalination plants currently operate in southern Tunisia.

Waste water treatment is the responsibility of the Tunisia's National Sanitation Utility (ONAS). Tunisia has 96 wastewater treatment plants. However, relatively little secondary and advanced water treatment is conducted. Treated waste water is distributed to farmland, golf courses, and green spaces, and is also used to groundwater recharge and ecological valorization. Sludge is treated, thickened, and dewatered before disposal to landfills.

Solid Waste Management

Solid waste management is an increasing challenge for government authorities. Proper collection, treatment, recycling, and valorization of solid waste all require greater developmental focus. After the revolution, Tunisia faced additional challenges maintaining even existing waste management practices due to lack of citizen awareness, repeated strikes, and dissolution of municipal and rural councils. Tunisia possesses comprehensive environmental laws to encourage the sustainable management and recycling of municipal and industrial waste. Tax incentives are also offered to companies for waste reduction by self or outsourcing recycling.

According to the GOT, 4% of municipal solid waste is recycled while 70% is dumped in controlled landfills, 21% in non-controlled landfills, and 5% is composted. These levels may be overly upbeat. Many municipal landfills do not meet sanitary standards and waste is often dumped into non sanitary areas. Domestic solid waste is rising annually at 2.5%. A resident in an urban area produces 0.815 kg of solid municipal waste per day; rural inhabitants produce only 0.150 kg. The country has ten operational landfills for municipal solid waste, five are under construction, and five are in the planning stages. Tunisia also has one operational landfill for industrial waste and three under construction.

Recycling

Almost 400 private companies are authorized by the Ministry of Environment to collect, transport and recycle plastics. The Ministry of Environment also authorized five private collectors and recyclers of used tires. Paper and cardboard recycling is still in its infancy. There is also a small informal sector for recycling food packaging.

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The market for environmental protection and pollution control equipment and technology has significant potential. Anticipated tenders for landfill, construction and management projects, coastal pollution projects, and waste water treatment all offer good opportunities for U.S. procurement. U.S. exporters of these products and services face competition from European companies which often provide attractive government-backed financing. Local representatives of European companies repeatedly point out the lack of assertiveness shown by U.S. companies in a field where they could have a much bigger share of the market.

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

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ANPE (National Agency of Environment Protection)	www.anpe.nat.tn/fr/links.asp
National Water Distribution Agency (SONEDE)	www.sonede.com.tn
National Sanitation Agency (ONAS)	www.onas.nat.tn
Agency for Protection and Development of the Coastline (APAL)	www.apal.nat.tn
International Centre for Environmental Technologies of Tunis (CITET)	www.citet.nat.tn
National Waste Management Agency (ANGED)	www.anged.nat.tn
National Institute of Marine Sciences and Technologies (INSTM)	www.instm.agrinet.tn
Tunisia Environmental Portal	www.environnement.nat.tn
Tunisia Sustainable Development Portal	www.tanmiamostadima.nat.tn

Insurance

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The Tunisian insurance sector is effectively saturated for mandatory vehicle liability coverage yet underdeveloped for all other insurance products. Compulsory auto liability insurance is rigidly enforced and virtually all drivers carry these policies. In addition, lenders require appropriate property, fire, casualty, and life insurance policies at least equal to the amount of the collateralized lien. In general, Tunisians purchase such insurance policies only to obtain bank loans. As elsewhere in the region, Tunisia does not possess a deep tradition of insurance coverage. This is especially true for life insurance. Low domestic savings rates and cultural factors such as the reliance on the extended family network in case of death or disability and property damage contribute to a deficit of coverage in all insurance segments. To expand the insurance market beyond just products mandated by law is a challenge for all market entrants.

In general, despite a lack of public interest in purchasing insurance policies, a full range of products is available. For example, prior to the 2011 revolution, for a miniscule premium, insurance policies could include clauses regarding property damage from civil disturbances. Almost no one in Tunisia opted for the optional coverage. After former President Ben Ali fled the country, looting and property damage, particularly against major supermarket retail chains linked to Ben Ali's extended family, led to losses estimated at approximately $25 million. The Tunisian government worked closely with the Tunisian Federation of Insurance Companies (FTUSA) to find an arrangement for partial coverage of the losses. A decree led to the settlement of claims following the riots.

According to FTUSA, gross insurance premiums including vehicle policies were about $817 million or 1.8% of Tunisia's GDP in 2012; this is a level considered low by the insurance industry and inadequate for proper insurance coverage of the population. That said, the growth rate for insurance premiums that year registered a healthy 9.1% increase, perhaps a reflection of public uncertainty and concern caused by the revolution and its aftermath. Post-revolution efforts by the government to enhance the insurance market have been somewhat successful. Reform focused on improvement of the financial situation of insurance companies, update of the country's legal and regulatory framework, development of market segments such as life insurance and crop insurance, upgrade of insurance companies, and expansion of the sector to competition.

The insurance sector's most important regulatory institution is the General Insurance Committee within the Ministry of Finance. The mandate of the Committee encompasses protection of policy-holder rights and oversight of insurance and reinsurance companies. Other pertinent institutions include the Central Office of Rates (Bureau Central des Tarifications - BCT) which fixes rates for liability insurance premiums on vehicles, the Tunisian Federation of Insurance Companies, the trade association for the entire insurance and reinsurance sector, and the Unified Office for Tunisian Automobile (Bureau Unifié Automobile Tunisien - BUAT), the trade association specifically for vehicular liability insurance.

Currently, twenty-three insurance companies operate in the Tunisian market. Fourteen of these companies handle the full range of insurance products. The rest offer a partial menu of insurance products, for example, fire and casualty insurance, export and credit insurance, and reinsurance. Two are subscriber-based mutual insurance companies, and one is an agriculture mutual fund which offers crop insurance. Private corporations dominate with a market share close to 60% in 2012; state-owned enterprises and mutual companies controlled about 22% and 18% of the market, respectively.

Opportunities Return to top

Foreign equity share restrictions have been eliminated and foreign companies theoretically may operate freely in the Tunisian insurance sector. Entrants into the market can establish a commercial presence by setting up a subsidiary (either wholly or partially owned), forming a new company, or acquiring an already established insurance supplier. To be registered in the country, foreign insurers must receive approval from the General Insurance Committee. Once approved, foreign insurance suppliers can compete for insurance lines and will be treated no less favorably than domestic services suppliers with respect to capital, solvency, reserve, tax, and other financial requirements.

With liberalization of the insurance sector, Tunisia fulfilled commitments under the WTO and EU Association agreements. For U.S. companies intending to invest in Tunisia, this sector may present opportunities, especially in non-life insurance market segments. In the post-revolution era, sporadic labor unrest and political uncertainty may spur demand for property and casualty insurance. Some domestic companies indicated that foreign underwriters may be reluctant to cover civil unrest in future policies.

As elsewhere in the MENA region, life insurance is significantly underdeveloped due in large measure to its perceived non-compliance with Islamic law (Sharia). Many believe life insurance products contain prohibited elements of uncertainty, gambling, and interest income. In response to a desire to conform with Sharia and as an alternative to conventional insurance, Zitouna Takaful and Al Takafulia created a form of insurance that complies with the principles of Sharia. Foreign companies considering insurance operations in the MENA region should examine this new product.

Among the general population there remains limited awareness of life insurance and its benefits. Moreover, the financial services sector does not yet offer personal financial planning which might assist customers with design of an appropriate insurance plan. Both these areas should be viewed for their long-term potential.
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FTUSA (Tunisian Federation of Insurance Companies) www.ftusanet.org
INS (Institut National de la Statistique - National Statistics Institute) www.ins.nat.tn

Franchising

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Until recently, Tunisia did not offer an attractive business environment for franchising. Franchises were granted to businesses only on a case-by-case basis – a potentially corrupt mechanism that dissuaded franchisors from potential deals. Compared with other regional markets, relatively few foreign franchises are found in the country. Most retailers of foreign brands operate solely as product distributors. Tunisian businessmen generally have little understanding of the franchising concept. However, increasing numbers of Tunisians are showing interest in the franchise concept; many are beginning to participate in international franchise shows.

Tunisia is poised to see significant growth in the franchise sector. Legislation passed in 2009 with the assistance of the U.S. Department of Commerce's Commercial Law Development Program (CLDP) provides an improved legal framework for franchising. The GOT views the establishment of a franchise friendly environment as a priority for spurring economic growth among Tunisia's small and medium enterprises (SMEs). In serving the Tunisian market, franchises now may operate like any other foreign business.

Provisions for franchise-related contracts rest with the Tunisian Ministry of Trade and Handicrafts. The Ministry maintains a positive sector list that includes retail and distribution operations, hotels and tourism, training and teaching, vehicle servicing and repair, and beauty and hygiene salons. Franchises on the list require no prior pre-approval to operate in the Tunisian market. Three key sectors, however, are not on the list: food and beverage, real estate, and advertising. To operate a franchise in these sectors, potential franchisees must still receive Ministry approval on a case-by-case basis. The requirement for approval for these sectors does not mean a license will be denied. It is, though, an extra step the franchisee must take in order to establish a franchise in Tunisia. Prior to issuing a final decision, the Ministry weighs such factors as local competition and value added to the national economy.

To our knowledge, no application from a Tunisian franchisee for a U.S. franchise has been denied. As of mid-2014, the GOT confirmed authorization for ten foreign franchises not on the pre-approval list. Half of the franchise applicants are U.S. companies: Re/Max (real estate broker), My Gym (health & exercise), Pizza Hut (food), Fatburger (food) and Johnny Rockets (food). Fatburger began Tunisian operations in 2013.

Created in 2010 the Tunisian Franchise Association is the sector's principal lobbying arm. The Tunis Chamber of Commerce and Industry (CCIT), the business branch of the Ministry of Trade and Handicrafts, works in partnership with the Mediterranean Chambers of Commerce and Industry (ASCAME) to organize an annual franchise show in Tunisia. The Tunis Med Franchise Show draws the attention of Tunisian entrepreneurs from all sectors and includes growing participation from foreign franchisors. The next edition of Tunis Med Franchise show will be held in early 2015.

Opportunities

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Many Tunisian business groups have begun the search for international franchisors. They express confidence the market exists for franchises to thrive in this country, especially in tourism and tourism-related areas. U.S. franchisors are eyeing the Tunisian market. U.S. franchises already operating in the Tunisian market include Ramada Plaza Hotels and Dale Carnegie (professional training).

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Tunis Med Franchise Show	www.tunis-medfranchise.com
Tunis Chamber of Commerce and Industry	www.ccitunis.org.tn

Agriculture Return to top

Agriculture plays a leading role in Tunisia's economy. Approximately one-fifth of the country's workforce is engaged in the agricultural sector. Agriculture contributes over 10% to the country's GDP and the sector is growing at around 5% per year. Historically, Tunisia's agricultural system was based on small family farms which grew subsistence crops with little market integration. Increasingly, larger agricultural enterprises are more prominent. Land that is not privately owned may be leased by the government to private farmers or managed directly by the Ministry of Agriculture. Foreigners cannot own agricultural land but may obtain long-term leases.

The cereals sector is strategically important for Tunisia. The majority of Tunisian farmers grow basic rain-fed grain crops (wheat and barley) and production varies significantly depending on rainfall conditions. Livestock and irrigated horticulture crops are well developed but must be frequently supplemented by imports to provide sufficient domestic supply. Tree crops (olives, citrus, and dates) are mostly export-driven.

For the 2013/14 market year, wheat and barley production registered a very significant decline from the previous year due largely to poor rainfall. As a result, Tunisian wheat imports are expected to reach 1.87 million metric tons (MT), an increase of 20% compared to 2012/13 levels. For 2014/15, Tunisia's total cereal production is projected to increase by 45% reaching 1.9 million MT. Preliminary estimates for wheat and barley production are 1.3 million MT and 600,000 MT, respectively.

Olives and olive oil production also plays an important economic, social and environmental role in Tunisia. Domestically, about one third of Tunisia's edible oil consumption is provided by olive oil; most domestic production is directed to export markets. During the winter harvest and pressing season, a large portion of Tunisia's agricultural workforce is engaged in this sector and labor shortages are common. Tunisia's olive oil production for 2013/14 was around 80,000 MT, down almost two-thirds from 2012/13. Again, weather conditions were largely responsible for the severe decline.

Tunisia's olive sector suffers from decades of neglect and the lack of integrated management. Per hectare output is exceedingly low compared to that of other regional producers. Most of the country's olive trees are well beyond their prime production years. Land used for olive groves is inefficiently utilized. Mechanization, particularly for harvesting, is not employed. In addition, domestic bottling and packaging of olive oil is highly underdeveloped. Thus, Tunisia leaves significant value added potential unexploited.

Because of the EU's importance in Tunisia's trade policies, the government tends to follow EU rules on agriculture. Although the GOT does not have formal regulations on GMO products, the Tunisian attitude about genetically modified organic products reflects closely the predominant view within Europe. Tunisian olive oil and date exports already possess organic certification from the EU. Through USDA accredited certifiers that operate in Tunisia, Tunisian exporters can gain approval for sale of their products as "organic" in the U.S. market.

Agriculture Trade

For the last two decades, Tunisia has been a net importer of agricultural products. In 2013, Tunisia's total imports, including wheat, corn, and vegetable oils, were around $2.751 billion, while total exports reached $1.691 billion. Russia and Ukraine currently account for most of Tunisia's wheat imports with South American and European producers providing the balance of the country's grain imports. While wheat imports from the United States, primarily durum wheat used by private millers, have declined – and were absent in 2013 -- Tunisian imports of U.S.-grown soybeans continue to climb. Few other U.S. food products are readily available in Tunisia.

Tunisia' leading agricultural exports are olive oil and related products, processed fish, dates, and citrus. Tunisia is one of the world's largest exporters of olive oil. While a small portion of Tunisian olive oil production is shipped directly to the United States and other markets as a final packaged product, most of Tunisia's olive oil is exported in bulk for bottling or blending, primarily in Italy and Spain, and re-exported. The U.S. ranks as the second largest export destination (after the EU) for Tunisia's olive oil exports. According to the Ministry of Agriculture, exports for the first half of 2014 of citrus, fruit and dates are trending up compared to the same period in 2013.

Tunisia's agricultural exports to the United States reached $128 million in 2013 of which $110 million consisted of high quality olive oil. Tunisian olive oil receives preferential access to the U.S. market under the GSP (Generalized System of Preferences) framework.

Grain Silos/Elevators, Agricultural Equipment and Inputs

Significant market potential exists for a wide range of agriculture-related inputs. Tunisia possesses a sizable market for agricultural equipment, including grain silos, elevators, tractors, harvesters, center pivot irrigation systems, and food processing/bottling machinery. Because of wide variation in recent grain harvests and the shortage of storage capacity for grains, the GOT is especially concerned with increasing the quantity of Tunisia's grain silos. The Tunisian government offers tax incentives of up to 25% to encourage acquisition of tractors, combine harvesters, and other related equipment. This will likely further spur demand for farm equipment and may provide a good opportunity for U.S. suppliers.

Although Tunisia is a major exporter of phosphates used in fertilizer, more sophisticated production inputs, including pesticides, are imported.

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

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Ministry of Agriculture	http://www.agriculture.tn/
Tunisia Olive Oil	http://www.tunisia-oliveoil.com/
U.S. Grain Council	http://www.grains.org/

Chapter 6: Investment Climate

Openness to Foreign Investment

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The GOT places a priority on attracting foreign direct investment (FDI) to the country and more than 3,000 foreign companies currently operate in Tunisia. This focus has led some Tunisian businessmen to question whether governmental incentives for FDI favor foreign investors over Tunisians. Historically, the government encouraged export-oriented FDI in key industrial sectors, such as call centers, electronics, aerospace and aeronautics, automotive parts, and textile/apparel manufacturing. To minimize possible negative impact on domestic competitors and employment, the GOT screens FDI that targets the domestic market.

Foreign investment in Tunisia is regulated by the Investment Code (Law 1993-120), last amended in 2009. Tunisia's investment code is widely viewed as outdated and overly complicated, an impediment rather than a catalyst for foreign investment. A new Code that aggregates Tunisia's fragmented legislation and establishes a modern, open investment regime is under review. The goals of the new Code include job creation, compliance with international standards, reduced regional economic disparities, and infrastructure development in the country's less-developed west and south-central regions. Proposed revisions that relax constraints on FDI may include expansion of targeted high priority investment sectors, additional duty-free treatment of production inputs, and lower differential rates of taxation between the Code's "offshore" and "onshore" sectors.

The current Investment Code divides potential investments into two categories:

- “Offshore” investment is defined as entities where foreign capital accounts for at least 66% of equity and at least 70% of production is destined for the export market. Some exceptions to these percentages exist for the agricultural sector.

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

It is difficult to predict what may be in the final legislation. In May 2014 the GOT withdrew the pending draft code for further revision. That version included language that favored domestic investors or otherwise fell short of international best practices. Existing hurdles for potential FDI, however, could remain in a modified draft:

- Foreign investors may still be denied national treatment in the agriculture sector; the prohibition on foreign ownership of agricultural land may continue.

- GOT authorization for “onshore” companies outside the tourism sector, could still be difficult to obtain especially if the foreign capital share exceeds 49%.

The Code’s “offshore/onshore” template currently in effect is being reexamined as part of the Investment Code’s revision.

Privatization

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 occurred in telecommunications, banking, insurance, manufacturing, and fuel distribution, among other sectors.

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

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

Protected Sectors

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

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

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

Retail

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

Franchising

As noted in Chapter Four, until recently Tunisia did not provide an attractive business environment for franchising. Franchises were granted to businesses only on a case-by-case. In 2009, the GOT introduced a law to regulate domestic trade (Law 2009-69) which included a framework for franchising. In general, the law seeks to encourage investment, create jobs, and boost knowledge transfer. No prior authorization is required for franchises operating within a list of approved sectors. Sectors that still need specific GOT approval to operate include food, real estate, and advertising. There is increased recognition that competition from international franchises helps catalyze the capability of Tunisian enterprises to comply with international standards.

Real Estate

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

Conversion and Transfer Policies

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The Tunisian dinar (TND) can be traded only within Tunisia. It is illegal to move dinars out of the country. The TND is convertible for current account transactions (repatriation of profits, bona fide trade and investment operations etc.) Central Bank authorization is needed for some foreign exchange operations. 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, using weights that reflect the relative importance of these currencies in Tunisia's external trade (including among others, the U.S. dollar, the Japanese yen and the heavily weighted Euro). It is adjusted in real effective terms to the fluctuations of these currencies, taking into consideration inflation differentials. The exchange rate is freely quoted by Tunisian banks who command a slight transaction premium. The Central Bank can intervene in the market to stabilize the currency or relieve pressure on the spot market. In 2013, the TND depreciated 5.79% against the U.S. dollar and 7.54% against the Euro.

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

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

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

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

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

Expropriation and Compensation

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

Dispute Settlement

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There is no pattern of significant investment disputes or discrimination involving U.S. or other foreign investors. However, to avoid misunderstandings, contracts for trade and investment projects should always contain an arbitration clause detailing how disputes should be handled and the applicable jurisdiction. Investors may choose which procedure they prefer for friendly dispute resolution. Tunisia is a member of the International Center for the Settlement of Investment Disputes and is signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Tunisia and the United States have a Bilateral Investment Treaty, which also has dispute resolution clauses.

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

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

Performance Requirements and Incentives

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

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

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

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

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

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

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

Foreign resident companies face restrictions related to the employment and compensation of expatriate employees. Currently, Tunisian law limits the number of expatriate employees allowed per company to four (excluding oil and gas companies). There are lengthy renewal procedures for annual work and residence permits. Although rarely enforced, legislation limits the validity of expatriate work permits to two years. The GOT indicated it intends to have more flexible rules in place in the new 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 report “Doing Business 2014” that scans business over 189 economies, Tunisia’s overall ranking dropped to 51 falling two spots from 49 in the 2013 report. The largest drop for Tunisia (8 spots) was in “Dealing with Construction Permits.” That process currently requires 19 procedures, whereas the average in the MENA region is 16 and 13 in the OECD

Right to Private Ownership and Establishment

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Tunisia assures a right to private ownership and protection of property for both foreign and domestic investors. All investors are expected to comply with Tunisian law regarding labor, social security, health, consumer protection, environmental protection, etc. Tunisian government actions indicate a preference for offshore, export-oriented FDI. Investors in that category are generally free to establish and own businesses and engage in most forms of remunerative activity. Investment which competes directly with established Tunisian firms or is perceived as leading to a net outflow of foreign exchange may be discouraged or blocked.

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

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

Protection of Property Rights

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

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

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

If copyright violation is suspected, customs officials are permitted to inspect and seize suspect goods. 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 does take place through Tunisia's somewhat porous borders. Tunisian Copyright Law applies to literary works, art, scientific works, new technologies, and digital works. However, its application and enforcement have not always been consistent with foreign commercial expectations. Print, audio, and video media are considered particularly susceptible to copyright infringement.

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

Transparency of Regulatory System Return to top

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. Not limited to foreign investment, cumbersome procedures also affect the domestic business sector.

Efficient Capital Markets and Portfolio Investment Return to top

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

Banking

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

As a share of GDP, private credit stands at 65% in Tunisia. According to the World Bank, this level lags behind economic peers such as Morocco and Jordan where the rate is 80%. The World Bank's 2014 "Doing Business Survey" ranks Tunisia 109th in terms of ease of access to credit.

According to the IMF Financial System Stability Assessment, the banking sector faces significant challenges owing to a weak domestic economy and the legacy of the previous regime. In particular, loan quality, solvency, and profitability have deteriorated. Weak underwriting practices contributed to inappropriate lending to well-connected borrowers. Tunisia's 20 onshore banks offer essentially identical services targeting the same small segment of Tunisia's larger corporate entities. Meanwhile, small and medium enterprises (SMEs) and individuals often have difficulty accessing bank capital, due largely to high collateralization requirements.

Government regulations hold down lending rates. This prevents banks from pricing their loan portfolios appropriately and incentivizes bankers to restrict the provision of credit. Competition among Tunisia's many banks has the effect of lowering observed interest rates. However, banks often place conditions on loans that impose far higher costs on borrowers than interest rates alone would suggest. These non-interest costs may include massive collateral requirements, which normally come in the form of liens on real estate. Often, the collateral must equal or exceed the value of the loan principal. Collateral requirements are often so high because banks face difficulty using regulations to claim their collateral, thereby adding to banking costs.

According to GOT figures, nonperforming loans (NPLs) among Tunisia's banks reached roughly $7.95 billion in March 2014. This corresponds to a ratio increase to 20%, up from 13% in 2010. By sector, weak performances in industry and tourism triggered respectively 30% and 23% shares in total NPLs. In recent years the government has undertaken a number of bank privatizations and consolidations. The GOT remains the controlling shareholder in 6 of the 21 major banks. In 2012, the estimated total TND assets of the country's five largest banks were equivalent to nearly $22.7 billion. Foreign participation in their capital has risen significantly and is now well over 20%.

Stock Market

Created in 1969, the "Bourse de Tunis" is the country's second largest financing mechanism after banks. As of mid-2014 the stock exchange listed 75 companies; capitalization of these companies was valued at $8.9 billion, about 19% of Tunisia's GDP. Approximately 23% of capitalization in the exchange represents foreign investment. Trading volumes reached a recent low in 2013 with only $706 million traded, well under half the 2010 level. However, data for the first half 2014 reflect a significant upswing in trades. Following years of exceptionally high growth, the Tunindex posted a 12% post-revolution decline from 2011 through 2013. The bear market appears to have bottomed out; through June 2014 the index shows a 5% rise.

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% 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%. Foreign investment up to 50% of a listed firm's capital does not require authorization.

Other Financing

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.

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

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 ($16.13 million) for a bank, TND 10 million ($6.45 million) for a non-bank financial institution, TND 7.5 million ($4.84 million) for an investment company, and TND 250,000 ($161,300) for a portfolio management company.

Competition From State Owned Enterprises

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

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

- Liberalizing trade through the removal of import and export licenses;

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

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

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

- Privatizing a number of sectors, such as telecommunications.

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

Senior management of SOEs is appointed by the GOT and report to the respective 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.

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

Corporate Social Responsibility

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

Foreign multinationals initiate most of Tunisia’s corporate social responsibility initiatives Many incorporate Tunisian programs into worldwide campaigns. Examples include support for an educational program related to children's nutrition, a clean water initiative, and creation of a program aimed at discouraging emigration of skilled workers from Tunisia.

Political Violence

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

Two high profile political assassinations in 2013, Chorkri Bel Eid and Mohamed Brahmi, resulted in widespread public protests. Political calm was restored in early 2014 with the successful conclusion of Tunisia's national dialogue and the installation of the Mehdi Joma'a Government of political independents. The country will have parliamentary and presidential elections before the end of 2014.

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

Corruption

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

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

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

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

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

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

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

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. Tunisia does not currently have an FTA with the United States.

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

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

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

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

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

Tunisia Corruption Climate

Tunisian and U.S. businesses with regional experience indicate that corruption exists but is not as pervasive as that found in neighboring countries. U.S. investors report that corrupt practices involve routine procedures for doing business (customs, transportation, and some bureaucratic paperwork.) However, these behaviors do not appear to pose a significant barrier to doing business in Tunisia. Transparency International's (TI) Corruption Perceptions Index (CPI) 2013 gave Tunisia 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 ranked 77th, 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.

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

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

Anti-Corruption Resources

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

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

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

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

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

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

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

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

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

Bilateral Investment Agreements Return to top

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 in June 2014 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. The two governments may consider ways to update it. A 1985 treaty (and 1989 protocol) guarantees U.S. firms freedom from double taxation.

Tunisia concluded bilateral trade agreements with approximately 81 countries, including neighbors Libya and Algeria. In January 2008, Tunisia's Association Agreement with the EU went into effect. This agreement eliminated tariffs on industrial goods with the eventual goal of creating a free trade zone between Tunisia and the EU member states. After being approved for Advanced Partner status in 2012, Tunisia is currently negotiating services and agriculture provisions with the EU. In addition, Tunisia is signatory to the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group which offers private sector political risk insurance guarantees. Tunisia has signed the WTO Agreement, bilateral agreements with the Member States of the European Free Trade Association (EFTA), bilateral and multilateral agreements with Arab League members and Turkey.

OPIC and Other Investment Insurance Programs Return to top

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

Labor Return to top

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

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

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

Since 2011, labor groups increased demands on employers and called for reform of labor laws. The latest wage increase (6%) agreement applicable to the private sector was signed in June 2014. In the meantime, an emboldened labor movement increased its demands for private sector reforms. Labor unrest is still an issue.

The official national minimum monthly wage (based on 40 hour/week) in the industrial sector is 302.75 TND ($180.41) and 348.1 TND ($207.43) based on a 48 hour week.

Foreign Trade Zones/Free Trade Zones

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

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

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

Foreign Direct Investment Statistics

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

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

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

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

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

Web Resources Return to top

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

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment) Return to top

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

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

How Does the Banking System Operate Return to top

The Tunisian banking sector is composed of private and state-owned institutions. The largest 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 all bank loans. The Central Bank of Tunisia (CBT) strictly regulates the country's banks. In recent years, the Central Bank has increasingly insisted upon more prudent norms for bank reserves and balance sheets that are more in compliance with international standards. All Tunisian banks are under pressure to improve their own performance and balance sheets. Among bank actions are a continued reduction in non-performing loan ratios, implementation of tighter credit risk controls and enhanced recovery procedures, and upgrade of seriously under-developed IT applications.

In compliance with IMF recommendations, the GOT is revising the financial system's legal framework. Among reforms being considered are clearer identification of the agencies responsible for bank resolution and liquidation, the treatment of shareholders, and the tools of dispute resolution. An audit in 2013 of two of the three state-owned banks (BH and STB) found insufficient levels of equity, capital and provisions; a high level of nonperforming loans, excessive operating costs; personnel that lack the required skills and competencies; and weaknesses in the governance structure and quality of service. (BNA is the third state-owned bank.)

According to the IMF, as of end-December 2013, the overall capital adequacy ratio of the Tunisian banking system declined from 11.8 percent in 2012 to about 9.2 percent in 2013. This decline is attributable to conservative haircuts on the valuation of loan collateral (in line with CBT efforts to align its prudential norms with international standards.) Banks were forced to increase provisioning ratios to about 60 percent (from 46 percent before). As a result, six banks which cover 42 percent of total banking assets fell below minimum capital requirements. Bank profitability which has so far remained positive could decline further as intermediation margins come under pressure and new collateral requirements limit bank ability to access CBT refinancing. Asset quality continued to be weak, with nonperforming loans (NPLs) remaining stable at about 15 percent of total loans. Once NPLs held by bank affiliates are accounted for, this rate rises to 20 percent.

Tunisian commitments under the WTO and the EU Association Agreement regarding liberalization of the banking sector should result in more stringent enforcement over the coming years.

Foreign-Exchange Controls Return to top

The Tunisian dinar is convertible for current account transactions. Companies or individuals engaging in foreign trade can apply to the Central Bank for a convertible currency account. Foreign investors may freely repatriate profits and proceeds from the sale of equity, but other transfers may be subject to Central

Bank authorization. Most trade-related transactions are conducted through letters of credit without difficulty.

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

U.S. Banks and Local Correspondent Banks Return to top

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

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

Project Financing Return to top

For established borrowers, project financing is generally available. While Tunisian banks are often reluctant to deal with newer firms, it is rare for an enterprise to fail due to lack of financing. Bankers described the Tunisian market as one where the supply of short-term commercial credit exceeds demand, although a lending gap is evident for small and medium businesses which do not have adequate land or other collateral. Private equity and microfinance are underdeveloped in Tunisia. This limits financing options for entrepreneurs and businesses.

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

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

The Overseas Private Investment Corporation (OPIC) provides financial products such as loans and guaranties, political risk insurance, and support for investment funds, all of which help American businesses expand into emerging markets. OPIC funding and insurance products are available for investment projects in Tunisia. For example, OPIC is currently completing due diligence on a "green" hotel project in Tunisia. This project will help support Tunisia's efforts to develop its tourism and hospitality sector, in an effort to promote the private sector and boost GDP.

U.S. companies may also take advantage of procurement opportunities funded by the African Development Bank (AfDB). AfDB projects are found throughout the entire continent. From 1968 to 2013, the Bank financed 120 projects in Tunisia, making

Tunisia the institution's second largest recipient of bank funding. Although AfDB's main goal is infrastructure development, there are opportunities across a variety of sectors and in both private and public projects. Recent AfDB assistance to Tunisia includes a $28 million agriculture project, a $1 million e-government and open government project, and a $42 million waste water treatment project for agriculture. Since 2003 the AfDB was headquartered in Tunis; in 2014 it returns to its home base in Abidjan, Ivory Coast.

The U.S. Trade and Development Agency (USTDA) assists U.S. firms seeking contracts in the Tunisian market. USTDA's services include funding for conducting feasibility studies, conditional training grants, and trade development missions.

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

The World Bank International Bank for Reconstruction and Development (IBRD) supports a variety of projects in Tunisia. IBRD efforts are focused on several areas including the environment, the financial sector, privatization and industrial restructuring, the road network, dams, and irrigation. In 2012, the IBRD approved a $45.9 million to the Tunisian Central Bank aiming at improving micro, small, and medium-sized businesses' access to financing. In 2013, The Bank approved a $9.5 million project called Ecotourism and Conservation of Desert Biodiversity.

The European Investment Bank (EIB) is also active in Tunisia. EIB granted a EUR 4 million loan in 2013 to provide concrete assistance to micro-entrepreneurs in Tunisia (ENDA Inter-arabe Project) and a EUR 50 million loan for economic and social development projects by local authorities in a number of governorates in the country's interior. While U.S. companies participate in World Bank-financed projects in Tunisia, they may be barred from participating in EU-funded projects.

For information about AfDB projects, please email afdbcommercialliaison@state.gov
The U.S. Embassy in Tunis may assist with linking U.S. Government support mechanisms to identified Tunisian Government procurement opportunities.

Web Resources Return to top

Export-Import Bank of the United States http://www.exim.gov
Country Limitation Schedule
http://www.exim.gov/tools/countrylimitationschedule/
Overseas Private Investment Corporation (OPIC) http://www.opic.gov
Trade and Development Agency http://www.tda.gov/
Small Business Administration (SBA)'s Office of International Trade
http://www.sba.gov/oit/

United States Department of Agriculture (USDA) Commodity Credit Corporation
https://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc
U.S. Agency for International Development http://www.usaid.gov
African Development Bank http://www.afdb.org
Central Bank of Tunisia www.bct.gov.tn
Association of Tunisian Banks http://www.apbt.org.tn/
Citibank Tunis http://citigroup.com/citi/about/countrypresence/tunisia.html

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Chapter 8: Business Travel

Business Customs Return to top

Tunisia is an open society that prides itself as a bridge between Europe and the Arab World. Most Tunisian business practices resemble those in Europe. The official language in Tunisia is Arabic. French is widely spoken and serves as the common business language. An increasing number of Tunisians also speak English. The business environment is formal. Business suits are recommended. Company representatives should always have business cards available. Exchange of inexpensive gifts is common practice. U.S. business representatives should not proffer high-value items.

Travel Advisory Return to top

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

Visa Requirements Return to top

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

The U.S. Embassy in Tunis is committed to facilitating valid business travel by qualified Tunisian nationals to the United States. Generally, travel that qualifies for a business (B-1) visa includes consultations with business associates; attendance at scientific, educational, professional or business conventions, or conferences on specific dates; contract negotiations or participation in short-term training. Applicants are encouraged to apply well in advance of intended travel. Embassy Tunis' website outlines the nonimmigrant visa application process, and offers links to the required online forms and appointment system.

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

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

Telecommunications Return to top

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

Five private Internet Service Providers (ISPs) are licensed by the Government of Tunisia. Broadband connections have recently been made available to private customers. As of the beginning of 2014, there were almost 5.7 million Internet users in Tunisia and about 1.35 million actual Internet subscribers.

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

Voice-Over Internet Protocol (VOIP) is permitted in Tunisia only to pre-approved corporate entities and not individuals. Although use of certain VOIP technologies downloaded abroad, such as Skype, MagicJack, Viber, or Vonage, is permitted, independent VOIP providers outside of the three existing telecom licensees (Tunisie Telecom, Ooredoo, and Orange) cannot legally operate. Among the expected reforms is a relaxation of this restriction, although the Tunisian government had not made any official announcements as of mid-2014.

Transportation Return to top

Tunisia enjoys a relatively well-developed transport infrastructure that includes eight international airports. Tunisia’s principal airport gateway is Tunis-Carthage International Airport, situated 8 kilometers from the center of the city. There are seven other international airports: Monastir-Habib Bourguiba, Djerba-Zarzis, Tozeur-Nefta, Sfax-Thyna, Tabarka, Gafsa-Ksar and the most recent, Enfidha International Airport. These airports handle tourism-related charter flights from Europe and are very seasonal.

The first long haul flight by a Tunisian airline was launched between Tunis and Montreal in April 2014. Plans for other long-haul links between the U.S. and Tunis may move forward in the future. In 2014 Tunisia and China signed an agreement to allow direct flights between the two countries.

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

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

A new high-speed train network reaching 53.4 miles will be constructed in Greater Tunis. Funded by the EU, it is slated for completion in 2017. The first phase of the project consists in the acquisition of land, deviation of the networks as well as the duplication of one tunnel.

The road network is fairly well developed. Major toll highways have been constructed or are in the planning/construction phases. The highways link the major coastal population centers from the Libyan border in the southeast to the Algerian border in the northwest.

Although overall road and telecom infrastructure in Tunisia is developed, regional discrepancies exist. Rural areas in the south and central areas of Tunisia lag behind the major urban centers on the coast.

Language

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

Health

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Except when specialized care is required, most illnesses can be treated locally. Hospitals and clinics in Tunis and other major urban centers are comparable to Western standards and feature Western-trained physicians. However, western-style trauma care is not available. Food standards are fair and the water in the coastal area is potable. For those who prefer bottled water, it is inexpensive and readily available.

Local Time, Business Hours, and Holidays

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Tunisia is GMT+1.

Business hours are:

Government

Winter	Mon-Thurs	08:30 – 12:30 and 13:30 – 17:30
	Friday	08:00 – 13:00 and 14:30 – 17:30
Summer (July/August)		
	Mon-Thurs	07:30 – 14:00
	Friday	07:30 – 13:00
*Ramadan***	Mon-Fri	8:00 – 14:00

Private Sector* (including banks)

Winter	Mon-Fri	8:00	12:00
		14:00	18:00
Summer (July/August)			
	Mon-Fri	7:00	13:00
*Ramadan***	Mon-Fri	8:00	14:00

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

****** In 2014, Ramadan will be o/a June 28 - July 27.

Major Tunisian secular holidays are as follows:

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

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

Dates for 2014 are:

Mouled (one day) o/a	January 13, 2014
Aid Esseghir (El-Fitr) (three days) o/a	July 28, 29, and 30, 2014
Aid El Kebir (El-Idha) (two days) o/a	October 4 and 5, 2014
Ras El Am El Hijri (one day) o/a	October 25, 2014

* o/a - on or about

Temporary Entry of Materials and Personal Belongings Return to top

Depending on the legal status of non-residents, temporary entry of materials and personal belongings may be permitted. Companies and individuals should verify regulations applicable to their specific status before attempting to bring items into Tunisia.

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Tunisian Government (Ministère du Transport - Ministry of Transportation) www.ministeres.tn

Société de Transport de Tunis (TransTu) Tunis Transport Company www.snt.com.tn

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Chapter 9: Contacts, Market Research, and Trade Events

Contacts Return to top

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

Market Opportunities Return to top

The U.S. Embassy in Tunis has a dedicated webpage for U.S. companies considering doing business with Tunisia: **www://tunisia.usembassy.gov/business.html**
The site features market insights, access to a tender's database, links to upcoming trade events, copies of relevant regulations, and a wealth of other information useful to U.S. Companies. A list of Tunisian trade leads can also be found on the Business Information Database System of the U.S. Department of State: http://bids.state.gov/

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

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In addition to the U.S. Embassy website, please look at the link below for information on upcoming trade events.
http://export.gov/tradeevents/index.asp

Trade Shows in Tunisia	http://www.biztradeshows.com/tunisia/
Tunis International Fair	http://www.fkram.com.tn/
Sfax Fair	http://www.foire-sfax.com/
Miscellaneous fairs	http://www.sogefoires.com/
Gabes International Fair	http://www.foire-international-gabes.com/
Tunisian Center of Fairs, Exhibitions and Congresses	http://www.ctfexpo.com/

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Chapter 10: Guide to Our Services

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

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

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

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

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

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

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

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

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

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