Doing Business in Tunisia: 2010 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Tunisia

Market Overview Return to top

- Tunisia is a small and politically stable country on the North African coast. It has the most diversified economy in the region. With a population of slightly over 10 million, it has one of the highest standards of living on the continent. The country does not have vast reserves of hydrocarbons like its neighbors Algeria and Libya, but has prospered under long-standing government policies to develop manufacturing, tourism, and agriculture. At the same time, social programs limit population growth, provide a high standard of education, and ensure a relatively decent standard of living for all. The 74.3% national literacy rate is one of the highest in North Africa and the Middle East, and the 2009 average annual income per capita reached $3,775 and is expected to reach $4,047 in 2010. The International Monetary Fund projected that the 2009 GDP based on Purchasing Power Parity (PPP) per capita was $8,284.

- The Tunisian economy, which maintained a steady average annual growth rate of about 5% between 2004 and 2008, grew by 3% in 2009. Government of Tunisia (GOT) planners have predicted that GDP would grow at an annual average rate of 6.1% over the coming five years although this may be reduced in light of the continuing global financial crisis. The average inflation rate in 2009 reached 3.7%. Hard currency reserves reached $10.280 million (13.260 million TD) in December 2009.

- Manufacturing industries, producing largely for export, are the motor of Tunisia’s economic growth and a major source of foreign currency revenue, accounting for about 68% of exports in 2009. Labor-intensive plants, historically producing textiles and, more recently, automobile components, create much-needed jobs. In 2008, Tunisia's official unemployment rate was 14.2%, though underemployment may not be adequately represented in these figures. The GOT is aiming to reduce the unemployment rate by 1.5% by 2014. Textiles and mechanical and electrical equipment sales are the primary sources of foreign currency revenue -- in 2009 they represented 24% and 30.8% of Tunisia's exports, respectively. Both sectors are currently suffering due to the international economic crisis. In 2009, Tunisia's exports of textile and mechanical and electrical equipment decreased respectively by 8.9% and 3.7% compared to 2008. The GOT export promotion agency, the Centre de Promotion des Exportations (CEPEX), is responsible for identifying new export markets in all sectors.

- Tourism is the next largest source of foreign currency revenue. About 6.5 million tourists visited Tunisia during the first 11 months of 2009, bringing in nearly $2.5 billion in convertible currency.

- Agriculture also plays a major role in Tunisia and employs approximately one-fifth of the population. Agriculture accounts for nearly 10.9% of GDP and comprises about 9.5% of exports. In 2009, Tunisia exported nearly $1.4 billion of agricultural products, mainly olive oil, seafood, dates and citrus. Tunisia's agricultural exports decreased by 14.2% in comparison with 2008.

- The government retains control over certain "strategic" sectors of the economy (finance, hydrocarbons, the national airline, electricity and gas distribution, and water resources), but the role of the private sector is increasing. The Government of Tunisia is currently studying the economic impact of liberalization of petroleum product price controls. Most of Tunisia's electricity is produced from natural gas (85%) and heavy fuel oil (15%). Electricity demand is growing 5.4% each year, and will reach about 22 billion KWH by 2020. The GOT plans to produce 900 MW of nuclear power by 2020. Tunisia has signed the Treaty on the Non-Proliferation of Nuclear Weapons and a Comprehensive Safeguards Agreement with the International Atomic Energy Agency (IAEA).

- Accessing the Tunisian market can be a challenge for U.S. companies. Geographically part of Africa but culturally more Mediterranean and Middle Eastern, this former French protectorate has extremely close ties with Europe. These ties have been reinforced by Tunisia's Association Agreement with the European Union (EU), which created a free trade zone for industrial products in January 2008. Tunisia is currently negotiating further agreements with the EU on services and agriculture.74% of Tunisia's foreign trade is with Europe. Tunisia's other major trading partner is Libya. In 2009, total Tunisian imports were $20 billion and exports totaled $15 billion. Compared to 2008, imports and exports decreased respectively by 15% and 17.6%.

- Tunisia is a founding member of the World Trade Organization (WTO) and is publicly committed to a free trade regime and export-led growth. The government would like to expand trade and investment ties beyond Europe, but the European presence in the economy remains strong. The EU Association Agreement is backed by significant European funding to support the Tunisian economy through the transition period to an open market. So far, over 3,600 Tunisian companies have taken part in the "Mise à Niveau" program, a national program aimed to upgrade the industrial sector in order to make it more competitive. Tunisia's Association Agreement with the EU bars non-EU countries from certain major tenders receiving EU financing.

- Tunisia is a member of the Arab Maghreb Union (UMA - Union du Maghreb Arabe), a political-economic grouping of Tunisia, Algeria, Morocco, Mauritania, and Libya. It is also a signatory to several bilateral and multilateral trade agreements, including the Agadir Agreement. This agreement, a framework for a free trade area with Egypt, Jordan, and Morocco, will create a potential market of over 100 million people. Tunisia's commercial ties with the United Arab Emirates (UAE) have taken a leap forward since 2006 with the announcement of plans by several Dubai-based companies to invest some $20 billion in real estate, tourism, and commerce in Tunisia over the next few years. However, the actual investment is not known, as at least one company has pulled out of Tunisia due to the current financial and economic crisis and the fallout of the Dubai World debt crisis. Tunisia attracts about $750 million in Foreign Direct Investment (FDI) annually, two-thirds of which comes from Europe. However, in 2006, FDI flows rose to $3.522 billion (of which $2.377 billion came from the 35% participation of Tecom Dig in Tunisie Telecom), making the UAE contribution around 68% of total FDI. During the first 10 months of 2009, FDI flows reached $1.36 billion, registering a decrease of 36.4% compared to the same period of 2008. U.S. FDI flows excluding energy reached $1.8 million during the first 9 months of 2009 and helped to create 367 new jobs.

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

- The United States is not a major goods supplier to Tunisia. U.S. Department of Commerce trade statistics for the first nine months of 2009 show Tunisian imports from United States at $291.15 million and Tunisian exports to the United States at $264.17 million, 27% and 52% less, respectively, compared to the same period in 2008.

- For many years the United States was Tunisia's fourth leading goods supplier, after France, Italy and Germany, but it dropped to 6th position in 2009.

- Although initial U.S. investment in Tunisia was primarily in the hydrocarbons sector, U.S. companies now successfully invest in offshore manufacturing industries and are present in both textile production and electrical/mechanical equipment manufacturing. Offshore companies can be established under an attractive regime that offers significant tax incentives to export-oriented investors. In the tourism industry, only four of Tunisia's 800+ hotels are affiliated with U.S. groups. Currently, total U.S. investment in Tunisia is estimated at about $1.1 billion and has contributed to the creation of more than 18,500 jobs.

Market Challenges

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

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

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

- The EU and many European countries offer excellent financing terms for trade. Tunisian companies are familiar with these opportunities but are generally unfamiliar with financing opportunities available when purchasing U.S. goods. The U.S. Embassy in Tunis works closely with the Ex-Im Bank, OPIC, and other U.S. organizations to promote awareness of U.S. financing sources.

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

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

- U.S. companies should also be extremely careful to verify with Tunisia's Central Bank (Banque Centrale de Tunisie) whether they are permitted to receive payment in foreign currency for services to customers resident in

Tunisia. This issue has been the source of confusion and occasional difficulty for some U.S. companies in Tunisia.

Market Opportunities

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- For U.S. companies, the best investment opportunities are in sectors that will benefit from U.S. technology (hydrocarbons, power generation, renewable energy aeronautics, transportation, and telecommunications) or to a lesser extent, in the more labor-intensive offshore, export-oriented industries such as the manufacture of textiles and mechanical or electrical equipment.

- Due to its moderate Mediterranean climate, Tunisia has a developing tourism industry, but niche travel is under-developed in areas away from the coasts. Investment possibilities in hotels include cultural or historical tours, golf packages, and desert tours.

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

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

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

- There are also opportunities for U.S. franchisors to thrive after the adoption, in August 2009, by the Tunisian Government of a new law to regulate domestic trade and franchises - a concept that until now was only granted to businesses on a case-by-case basis. An implementation decree, due out in February 2010, will clarify some issues regarding foreign investment in this sector. However, the Ministry of Commerce has assured that foreign franchises will be allowed to operate in Tunisia and will be treated like any other foreign investment in the onshore sector.

- The Tunisian Government has adopted a new four-year Energy Conservation Program for the period 2008-2011 that aims to reduce energy demand by 20% by 2011 and increase the share of renewable energies to reach 4% of the demand on electrical energy. In order to extend the renewable energies program beyond 2011, the GOT has adopted a new plan called the Tunisian Solar Plan (TSP), which encompasses the whole range of the fields of energy efficiency and renewable energy 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 with a total cost of 3,600 million TD ($2,790 million). 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 has established a generous package of incentives for such operations.

- Entering the domestic market, particularly in the services sector, is more difficult as the foreign company has to have 51% Tunisian equity. Unless the company is working on a project actively solicited by the Tunisian government or is closely associated with one of the country's well-connected business groups, the process can be fraught with obstacles.

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

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

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

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

- Tunisian law generally favors the party seeking to maintain a commercial contract. This makes it difficult for foreign firms to change distributors or agents after entering into a contractual relationship.

- Tunisian commercial legislation contains provisions designed to protect minority shareholder interests, which can result in disproportionate influence given to Tunisian minority partners.

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

Establishing an Office

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

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

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

Franchising

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In August 2009, the Tunisian Government adopted a new law to regulate domestic trade, which includes a new legislative framework for franchising – a concept that until now was only granted to businesses on a case-by-case basis. This new law is expected to allow franchises to operate like any other foreign business serving the Tunisian market. The law's implementation decree, which is expected by February 2010, will provide further clarifications on issues such as royalty repatriation and Ministry of Commerce approval to operate.

The new law is understood to be a signal from the GOT that franchises will have a space in this economy. Although some issues still need to be clarified, such as the details of royalty repatriation, the law is set to encourage investment, create additional jobs and boost knowledge transfer. Many Tunisian business groups have already started looking for international franchisors and are confident the market exists for franchises to thrive.

In conjunction with the adoption of the new franchising law, the Tunis Chamber of Commerce and Industry (CCI), the business arm of the Ministry of Commerce, in partnership with the Mediterranean Chambers of Commerce and Industry (ASCAME) organized the first Franchise show in Tunisia in December 2009. The Tunis Med Franchise Fair drew the attention of many Tunisian entrepreneurs from all sectors and had included participation from foreign franchisors.

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

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

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

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

Selling to the Government
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The Tunisian Government makes the majority of its purchases from foreign suppliers through public international tenders. These tenders are published widely in the local media; the larger tenders are also sometimes disseminated in selected foreign media. 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. Tunisia's Association Agreement with the EU bars non-EU companies from certain major tenders receiving EU financing. Tunisian government agencies tend to adhere to tender regulations and specifications.

U.S. bidders should not assume that potential customers are looking to the bidders to design solutions to a given problem. Tunisian government agencies typically arrive at desired solutions through pre-tender studies and then solicit specific equipment or services.

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

The Government has a reputation for lengthy negotiations, and U.S. firms are advised to allow for this in their initial bid. Performance bonds of between 1% and 10% are common on government contracts. The Government will generally adhere as strictly to the specifications of the contract as it does to the tender specifications, and it will expect similar adherence from the contractor. Major contracts require review by the Commission Supérieure des Marchés, a quasi-independent contracting oversight office that reports to the Prime Minister. Some major contracts may also require approval by the Chamber of Deputies, which is normally in session from November to June.

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

- Contribution to the local economy via investment in, or partnership with a Tunisian entity.
- Transfer of skills or technology.
- Creation of employment (unlike the labor saving emphasis of the U.S. market).
- Long-term financial impact (cost, financing packages, impact on the balance of trade).

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.

There have been clear examples of a lack of transparency in the decision-making process. 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 hypermarkets, set up under joint ventures, with France's Carrefour and Casino groups. New legislation, designed to protect smaller businesses from such competition, limits the number of hypermarkets authorized in a specific area. Establishing hypermarkets is still subject to licensing.

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

Selling Factors/Techniques

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

- Business documentation should be in French.
- Fax remains the favored means of business communication.

Electronic Commerce

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Tunisia lags behind in the use of e-commerce. Credit card operations and accounts have only recently appeared. However, Tunisian credit cards are **not** convertible to hard currency. Thus, they cannot be used for purchases made on foreign commercial internet sites. Debit cards can be used for domestic internet payment for some services, including public utilities and university registration. The Tunisian postal service operates an electronic payment system called e-dinar. Customers establish an account and replenish it by purchasing credit at a post office. Many public services in Tunisia can be paid for using e-dinars.

- Tunisian bank customers use cash, debit cards or checks to make payment in stores, restaurants or for public services. As of November 2008, 1.853 million debit cards are in circulation and the government seeks to reach 2.9 million by the end of 2009.

Trade Promotion and Advertising

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Many Tunisian companies are only now beginning to exploit advertising and trade promotion techniques. Although the sector is developing rapidly (around 5.6% growth from 2008 to 2009), it remains small, with total investment in advertising in 2009 estimated at only $103 million (according to a January 2010 "Sigma Conseil" survey). There are a number of different marketing/advertising opportunities, including sporting event sponsorship, industry-specific trade fairs, direct mail, outdoor/vehicle advertising, print media, and, to a lesser extent, electronic media. Company sponsorship of television programs, particularly locally-produced programs, is growing rapidly. The local print media in Tunisia generally accepts paid advertising. There are accepted standards for advertising. References to religion are generally not permitted. Local attorneys or marketing specialists can advise foreigners on the acceptability of various aspects of a promotional campaign.

For marketing purposes, urban society in Tunisia is probably best described as heavily influenced by European standards. The state-run Tunisian broadcasting authority, ERTT, broadcasts two Arabic-language TV channels and transmits programs from Italy's Rai Uno. Satellite television is widely watched, and Tunisians closely follow Arabic satellite channels such as al-Jazeera. Mosaique, a private Tunisian radio station, was launched in 2003, followed by a private television station, Hannibal, in 2004, and El

Jawhara, another private radio station, in 2005. In February 2007, another private TV station, Nessma, was launched. Radio Zaitouna, one of Tunisia's most popular radio stations, features mostly religious content and does not accept advertising.

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

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

There are a large number of industry-specific trade shows, general exhibitions, and promotional events. Most major Tunisian cities boast at least one exhibition center; Tunis has three (Le Kram, CIFCO and Tunis Expo). A major multi-sector fair, the Tunis International Fair, is held every two years at Le Kram, most recently in October 2008.

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

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

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

Sales Service/Customer Support Return to top

Tunisian consumers are becoming accustomed to after-sales service and have begun to expect a higher degree of customer support. Law number 92-117 of 1992 instituted measures to provide increased consumer protection. In addition, a Ministry of Commerce-designed standard sales contract details the requirements of retail or manufacturer guarantees. The model contract is included as an annex to a 1999 law requiring specific clauses in all guarantees of electronic and household equipment. In addition to providing technical instructions in Arabic and French or English and providing for verification of the proper functioning and good condition of merchandise, this law includes a schedule of reimbursements to be made if faulty merchandise cannot be adequately repaired within 15 days of notification from the consumer. Application of this legislation is not uniform.

Protecting Your Intellectual Property in Tunisia Return to top

Introduction

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

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

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

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

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

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

IPR Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. 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 U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the U.S., contact the U.S. 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 U.S. small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record

registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

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

IPR Climate in Tunisia

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

There is also an update of the law 94-36 of February 1994 that is currently being reviewed in the Tunisian parliament and will cover the following points:

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

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

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

Due Diligence Return to top

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

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

Local Professional Services

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

Web Resources

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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)	http://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

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Tunisia fulfilled a major commitment under the WTO basic telecommunications agreement (which required market access and same national treatment for foreign telephone service providers by January 2003) when the sector was opened up to foreign competition for a private cellular network license. No U.S. companies bid for the license, which was awarded to Orascom of Egypt and marketed as Tunisiana. A Tunisian/Monegasque consortium (Planet Tunisie and Monaco Telecom), Divona, has been awarded the contract for operation of a Very Small Aperture Terminal (VSAT) license. Partial privatization of Tunisie Telecom, the state telecommunications agency, took place in early 2006 when 35% of its capital was sold to a Dubai-based consortium. In December 2008, the GOT released an international tender to award a third telecom license for the provision of public fixed and second and third generation mobile telecommunications networks and services. In June 2009, the Ministry of Communications Technology officially announced that the French-Tunisian consortium Orange-Divona Tunisie won the third telecom license against the Turkish Turkcell for the global amount of 257,251 million TND. The new telecom operator, whose capital is 51% Tunisian and 49% French, is expected to invest 1,080 million TND to build its new network and has plans to launch to the public in March-April 2010.

In November 2009, Tunisie Telecom, Tunisia's leading provider of telecommunications and internet services launched the new 100% Tunisian submarine optic fiber cable, symbolically dubbed "Hannibal" (an important figure in Tunisian history). The 170 km long cable dug in one meter below sea level, using a remotely operated submarine. With an initial capacity of 40 gigabits per second (Gbps), expandable to 3,200 Gbps, the submarine cable, connecting Kelibia to Italian city of Mazara, is one of the most important telecommunications connections in the Mediterranean. The cable, which required an investment of nearly 16 million TND, will ensure the country's digital independence while boosting its telecommunication capacity seven-fold. It will also enhance Tunisia's IT connection capacity, broadband growth, and enable Tunisia to provide internet services to the African continent, making it a regional IT hub.

Tunisia's 11th Development Plan (2007-2011) is tabling on a 17% growth of the IT sector and a 13, 5% contribution of the sector to the country's GDP. In 2008, the participation of the IT sector in the GDP was 10%.

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

Opportunities
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Overall penetration rates for fixed and mobile phones have increased rapidly since 2001, reaching 96.3% in July 2009. The number of fixed lines is 1.245 million and total mobile lines reached 8.814 million (source: Tunisia's Ministry of Communication Technologies). Tunisia now has one of the highest mobile phone subscriber rates in Africa. Due to its rapid expansion, Tunisiana now covers 4.4 million subscribers; thereby reducing pressure on the GSM network operated by the national telecommunications agency, Tunisie Telecom, which has over 4.8 million subscribers. Tunisie Telecom is therefore turning its attention to promoting expansion of its land line telephone network. In July 2009, there were around 3.140 million Internet users in Tunisia, but only about 336,000 subscribers (source: Tunisia's Ministry of Communication Technologies).

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

By the provision of the third Telecom license, Tunisia has made a firm step toward access to third generation (3-G) mobile phone technology. In October 2009, Juniper Networks, a U.S. IT infrastructure supplier, and its Tunisian partner Satec, won the bid to supply the IP/MPLS backbone of the new telecom operator Orange-Divona Tunisie. Chinese companies such as Huawei and ZTE bid aggressively on current telecommunications tenders and have been able to offer exceptional financing terms that U.S. and European competitors are not able to match. Siemens, Alcatel and Ericsson are the major European competitors in the sector.

Resources Return to top

Ministry of Communications Technology	www.infocom.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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The Government of Tunisia has stated that it views independent power projects (IPPs) as the best way to meet Tunisia's annual 5.4% growth in electricity consumption. However, Societe Tunisienne d'Electricite et du Gaz (STEG), the state utility company that has operated a monopoly for many years, continues to demonstrate some resistance to private investment in the sector.

To meet the increasing demand of electricity and assure energy conservation, the GOT adopted in February 2009 a new law n# 2009-7 that allows private companies and households to produce electricity for their private consumption using cogeneration and renewable energies. The law says that the excess of electricity will be exclusively sold to STEG at a fixed price. To encourage people to adhere to the energy conservation program the GOT adopted the decree 2009-362 which fixes the amount of grants and incentives that could be given to energy conservation projects.

Tunisia's first IPP, a 470 Megawatt (MW) combined cycle electrical power plant, started operation in 2002 and currently produces the majority of the power production by private ventures. Currently, IPPs produce 25% of Tunisia's electricity. The U.S.–led consortium, Carthage Power, which built a $260 million plant, was a joint venture between PSEG of New Jersey and a Japanese enterprise, Marubeni. The U.S. stake of 60% was subsequently sold to QGEN (formerly known as BTU Ventures), a private equity and project development firm registered in Boston with shareholders from Qatar, Kuwait and Bahrain. General Electric (GE) has been particularly successful in marketing gas turbines in Tunisia for electricity production. A private U.S. initiative to produce electricity from flared gas is also in operation. Societe d'Electricite d'El Bibane (SEEB) is a joint venture between U.S. Caterpillar Power Ventures and the Canadian company Candax. SEEB successfully lobbied for a change in Tunisian legislation to permit the supply of privately produced electricity to STEG. It produces 27 MW for the national grid.

Natural gas supplies 98 percent of the fuel for Tunisia's electricity plants, which have total installed power of just over 3300 MW. Nearly half the gas comes from the off-shore Miskar field developed by British Gas.

Best Prospects/Services

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Tunisia has a current power production capacity of 3300 MW generated by 25 power plants and a series of projects at various stages of development to meet an expected doubling in demand for electricity over the next 15 years. In 2009, STEG finished a 126 MW extension of its power plant located in Feriana. Currently, there are two new power plants under construction, the first, with a capacity of 126 MW is located in Thyna and will start production in 2010. GE is developing both plants. The second power plant is a 400 MW extension of the existing power plant of Ghannouch, originally constructed in 2006 with an initial capacity of 400 MW. The extension will be done by the French group ALSTOM at a cost of $560 million. An additional IPP will be launched in 2012.

The Tunisian government is set to launch a large new project with interesting prospects for U.S. companies: a joint Tunisian/Italian project named ELMED. It will consist of a 1200 MW power plant at Hawaria, with 800 MW exported to Italy. In June 2007, the GOT and the Italian Government designated the Italian company Terna and STEG as partners in a joint venture to implement the electrical interconnection via undersea cable, manage international transits of electricity on the grid and launch the tender to build the power plant. The call for expressions of interest in the IPP was released in September 2008, and 16 international companies, among them two from the United States, bid for the project. The selection of the contractor is planned for the first trimester of 2010. The power plant will use natural gas, coal and wind energy. 200 MW of the 1200 MW will be destined for renewable energy.

In January 2009 the GOT released an international tender for two power plants. The first is for the construction of a turnkey combined cycle “Single Shaft" power plant in Sousse with a capacity of 380-450 MW to supply electricity to the industrial sector by 2013. The second is for the construction of a BOO (Build, Operate, Own) combined cycle power plant in Bizerte with a capacity of 350 to 500 MW by 2014. The GOT has announced that it intends to develop a 900 MW nuclear power plant production by 2020.

In April 2008, Tunisia and France signed a cooperation agreement in civil nuclear energy which will bring nuclear power capability to Tunisia by 2020. The Tunisian government is currently undergoing a consultative process with foreign partners to garner expertise and develop this capacity.

Currently, less than one percent of Tunisia's energy comes from renewable sources. However, growing domestic demand (upwards of five percent per year, according to an industry leader) and the agreement for the ELMED project, make the Tunisian market ripe for development of renewable energy. According to government officials, Tunisia will have 215 MW of new wind power by 2011 and raise national energy consumption from renewable to 13 percent of total production also by 2011. Past initiatives by the government have met with some fits and starts. In 2006, STEG launched a tender for a long-awaited project to produce 120 MW of electricity from wind energy. STEG’s three selected sites and the tender are contested by a U.S. wind energy investment group that has made a major investment in wind energy research and data collection on the specified sites. Today, the government continues to focus on renewable energy, in both wind and solar.

Opportunities Return to top

There are excellent opportunities for sales of U.S.-origin power generation equipment in both GOT-operated and IPP electricity generation projects. The sector offers some of the largest and best opportunities both for equipment exports and, in the case of future Build-Own-Operate (B-O-O) or Build-Operate-Transfer (B-O-T) projects, investment in the Tunisian market. GE gas turbines are installed in many of Tunisia's electricity production units but there is strong competition from European competitors such as ABB (Switzerland), ALSTOM (France), and Siemens (Germany).

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

There are sales and investment opportunities for U.S. companies dealing in renewable energy, especially after the adoption by the GOT of the Tunisian Solar Plan (TSP). The TSP, which extends over the period 2010-2016, includes 40 projects with a total cost of 3,600 million TND ($2,790 million) and encompasses all fields of energy efficiency and renewable energy in line with the approach adopted by the Mediterranean Solar Plan and the Desertec project, through which MENA and EU countries will interconnect their power grids and use renewable energy to generate their electricity needs.

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Ministry of Industry	www.tunisieindustrie.nat.tn
ETAP (Entreprise Tunisienne d’Activites Petrolieres Tunisian Enterprise for Petroleum Activites)	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

Aircraft/Airport Ground Support/Aeronautics

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Tunisair, the national airline (76% state ownership and 24% private ownership), currently operates 30 planes (19 Airbus and 11 Boeing). In December 2007, the company launched an international tender to replace its aging fleet over the next ten years. The tender was awarded to Airbus in April 2008. The Tunisair deal with Airbus includes the purchase of 16 aircraft (10 A320, 3 A330-200 and 3 A350-800), the opening of an Airbus parts factory that will create 2000 jobs, and developing the aeronautical industry in Tunisia. In December 2009, Tunisair announced the acquisition of a new A340-500 plane to cover long-distance routes.

The company is again performing satisfactorily after a difficult post-9/11 period. A rigorous reorganization was carried out and the financial situation has improved considerably. In January 2009, Tunisia's cabinet decided to exempt Tunisair from taxes on profits for a five-year period in view of its renewal program. The cabinet also announced its intention to liberalize air transport with Arab, European and American countries. Open Skies negotiations already started with the EU in mid 2009 and although the U.S. Government has actively approached the Tunisian Government to negotiate an Open Skies Agreement with the United States, actual negotiations have not yet taken place.

In addition to Tunisair, Tunisia has two larger privately-run airlines and two smaller airlines. The two larger ones, Nouvelair and Karthago, mainly work with European tour operators. In October 2008, the two airlines announced their merger, in which Nouvelair and Karthago would respectively hold 79% and 21% stakes, and result in a joint fleet of 21 Aircraft (15 Airbus and 6 Boeing). There are two other small airlines operating from Tunisia: Sevenair, a subsidiary of Tunisair, operates internal and short distance international flights; and Tunisavia, a private commercial fixed wing and helicopter operator, which services desert and offshore petroleum installations.

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

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

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

Opportunities

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The contract to build a new international airport at Enfidha was awarded to the Turkish Holding Company Tepe Akfen Ventisres (TAV) in March 2007. The cost of this Build-Own-Operate (B-O-T) project for Tunisia's seventh international airport is estimated at $560 million. TAV started construction in July 2007 and finished its first phase in November 2009, with an initial annual capacity of 7 million passengers (the final annual capacity is estimated to exceed 30 million passengers once all four terminals are built). The concession given to TAV to build and operate Enfidha airport and operate Monastir Airport is for 40 years. TAV subcontracted many parts of the project to local and foreign companies and will likely do so for the remaining phases of the project. This may present good opportunities for U.S. businesses.

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

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

Resources

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

Automotive Parts/Services/Equipment

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During the past two years, passenger cars produced by U.S. manufacturers have begun to penetrate the Tunisian market. Due to tax rate reductions (in January 2007, the consumption tax rate decreased from 300% to 100%) on large-capacity engine vehicles, the Tunisian market presents growing potential for U.S. automobile manufacturers.

Best Prospects/Services

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

Opportunities

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As the Tunisian automobile market diversifies beyond European brands, there is room for U.S. manufacturers and suppliers of spare parts. Both GM (operated in Tunisia under the GM, Chevrolet and German-made Opel brands) and Ford have successfully entered the automobile car market. In 2008, Ford was ranked fifth on the Tunisian automobile market and captured 10% of market share. American brands other than Ford do not have a significant market share.

Investment in manufacturing automobile components for export is a priority sector for the Government of Tunisia (see Chapter 6, Investment Climate). Several U.S. companies have successfully invested in this sector.

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Tunisian Government (Ministry of Commerce)	http://www.infocommerce.gov.tn
FIPA (Foreign Investment Promotion Agency)	www.investintunisia.tn
Tunisian Industry (government site)	www.tunisieindustrie.nat.tn

Architecture/Construction/Engineering Services

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There are no U.S. construction companies currently active in Tunisia. Major opportunities in this sector will arise as work begins on a wide range of projects recently announced by Gulf investors. In 2007 and 2008 Gulf-based companies announced their plans to invest more than $35 billion in Tunisia, mainly in construction in Tunis suburbs. These large investments include a $14 billion project to develop the southern shore of the Lake of Tunis, a $5 billion sports city to be built on the northern shore of the Lake, $10 billion for a residential megaplex in Ariana, $3 billion to develop the Tunis Financial Harbor, a $1.9 billion tourism project near the new international airport at Enfidha, and $2 billion to build an oil refinery in Skhira. Due to the international financial crisis and the recent debt crisis of Dubai World Holding, only the Sport City Project which is undertaken by the Emirati Bukhatir Group and the Tunis Financial Harbor which will be carried out by the Bahraini Gulf Financial House (GFH) are currently moving forward. However, as the world economy recovers, these projects may resume as planned.

Opportunities

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Work on the $5 billion sports city project of the Emirati Boukhatir Group have started and could present many opportunities for U.S. companies. The project, which covers 250 hectares on the northern shore of the lake of Tunis, will include nine sports academies covering 36.5 hectares, a golf course, and a 125 hectare residential zone.

In December 2009, Gulf Financial House (GFH) confirmed plans to build the Tunis Financial Harbor project, which will be North Africa's first offshore financial center. The project, to be located in Tunis' northern suburbs, will cover 520 hectares and will contain a business center, a banking investment center, a "Takaful" insurance center (a form of insurance that complies with the principles of Sharia) and a business school, as well as a golf course and commercial and residential centers. Work is slated to begin in September 2010.

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

Major road construction projects underway include a 70 km extension to the existing western toll highway to Bou Salem, at a cost of $385 million, and the extension of the existing Tunis-Sfax highway to reach Gabes and then Ras Jedir, on the Libyan border, by 2013. Studies have begun on a 60-km highway from Tunis to El Fahs, in the direction of Kairouan in Central Tunisia which will be ultimately extended to Sidi Bouzid, Kasserine and Gafsa. Regional long-term highway construction prospects include an Arab Maghreb Union (UMA) project to complete a trans-Maghreb highway linking Nouakchott, Mauritania to Cairo, Egypt via the Maghreb country capitals. The only portion of the trans-Tunisian highway for which plans have not yet been announced is the short stretch between Bou Salem and the Algerian border.

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

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Tunisian Ministry of Transportation www.ministeres.tn
OMMP (National Ports Office) www.ommp.nat.tn

Pollution Control Equipment

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

Opportunities

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

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

Insurance

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

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

Several institutions are engaged in the insurance sector in Tunisia as regulatory entities, but the most important institution is the General Insurance Committee, which is a central administration within the Ministry of Finance.

- The General Insurance Committee aims to protect the policy-holders' rights and safeguard the capacity of insurance and reinsurance companies to meet their commitments toward their customers.

- The Tunisian Federation of Insurance Companies (Fédération Tunisienne des Sociétés d'Assurance - FTUSA) is in charge of the study and the defense of the economic and social interests of the profession.

- The Central Office of Rates (Bureau Central des Tarifications - BCT) fixes the insurance premium through which the insurer is required to cover civil liability related to the use of land vehicles with engines.

- The Unified Office for Tunisian Automobile (Bureau Unifié Automobile Tunisien - BUAT) is an association between insurance companies that are allowed to practice civil liability insurance consequent to the use of land vehicles with engines.

According to the statistics of the Tunisian Federation of the Insurance Companies (FTUSA), the penetration rate of the Tunisian insurance sector decreased from 1.95% in 2006 and 1.96% in 2007 to 1.91% in 2008. The slight decrease highlights the sector's low performance and stagnation around 1.9% in the last three years. That said, in 2008 the insurance production growth rate was 9.6%, far higher than the total population growth rate of 1%, indicative of an increase in insurance density.

In Tunisia, there are currently 22 insurance companies including 13 multi-line companies; 5 specialized companies – two are specialized in life insurance, one in export credit insurance, one in domestic credit insurance and one in reinsurance- and four off-shore companies. The 18 onshore companies are divided into 15 corporations, two mutual insurance companies and one agriculture mutual fund.

Private companies dominate the market and had a total market share of 59.7% in 2008, while state-owned companies and mutual companies had respectively 21.6% and 18.7%. According to FTUSA, Tunisia's insurance premiums totaled 961.9 million TND ($745 million) in 2008, making a growth rate of 9.6 % compared to 2007 (877.1 million TND ~ $680 million).

The most important development that occurred in the sector was the opening of 35% of the stock of the largest state-owned insurer, STAR (Société Tunisienne d'Assurances et de Reassurances), to private investors in 2007. Ultimately, in July 2008 the French mutual insurer Groupama won the bid and paid about $100 million (70 million Euro) for its stake.

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

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

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

Risks related to the Tunisian market

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

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

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

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FTUSA (Tunisian Federation of Insurance Companies) www.ftusanet.org
INS (Institut National de la Statistique - National Statistics Institute) www.ins.nat.tn

Franchising

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In August 2009, the GOT adopted legislation (Law no. 2009-69 dated August 12, 2009) to regulate domestic trade. The law includes a new legislative framework for franchising – a concept that until recently was only granted to businesses on a case-by-case basis. Thanks to this new law, franchises now have the ability to operate like any other foreign business serving the Tunisian market.

The new law may be a signal from the GOT that franchises will have a space in this economy. Although some issues still need to be clarified, such as the details of royalty repatriation, the law is set to encourage investment, create additional jobs and boost knowledge transfer. An implementation decree, which should clarify some of these issues, is due out February 2010.

In conjunction with the adoption of the new franchising law, the Tunis Chamber of Commerce and Industry (CCI), the business arm of the Ministry of Commerce, in partnership with the Mediterranean Chambers of Commerce and Industry (ASCAME) organized the first Franchise show in Tunisia in December 2009. The show, called Tunis Med Franchise Fair, attracted the attention of many Tunisian entrepreneurs and some foreign franchisors who wanted to explore the Tunisian market. The show gave the participants a positive impression about the franchise sector in Tunisia.

Opportunities

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Many Tunisian business groups have already started looking for international franchisors and are confident the market exists for franchises to thrive. Also, some U.S. franchisors have started eyeing the Tunisian market in order to prospect for potential franchisees.

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

Agricultural Sector

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Cereals and Feed Grains

Agricultural commodities represent a significant part of total Tunisian imports, particularly during drought years when rain-fed cereal production is not sufficient for domestic consumption. In 2009, local cereal production (wheat & barley) increased significantly (+110%) over the previous year, due to good weather conditions and higher yields. As a result, Tunisian wheat and coarse grain imports declined sharply in 2009. According to data from Institute National de la Statistique (INS) total Tunisian cereal imports for the first ten months of 2009 were estimated at 1.58 million tons, valued at nearly $395 million.

U.S. agricultural exports to Tunisia, especially coarse grain and wheat, declined significantly in 2009. Price-competitiveness and shorter shipping time from Europe, combined with the availability to consolidate shipments, were among the factors for the decline. Fortunately, the decline in the U.S. cereal exports was offset by a sharp increase in soybean exports. During the first 10 months of 2009, total U.S. agricultural exports to Tunisia were estimated at $129 million, of which almost $70 million were soybeans. Tunisia started importing soybeans from the U.S. for the first time in 2009 after the implementation of the first oilseed crushing plant in the country. Since then, U.S. soybeans have captured a market share of 75%.

Grain Silos/Elevators, Agricultural Equipment

There is a sizable market for agricultural equipment in Tunisia. In addition to a steady demand for grain silos, the GOT decided to subsidize acquisition of tractors and combine harvesters at levels of up to 25%. This is likely to further spur demand for farm equipment and represents a good opportunity for U.S. suppliers.

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

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Chapter 5: Trade Regulations and Standards

Import Tariffs Return to top

Imported goods in Tunisia can be subject to tariff rates up to 200%, depending on the product. Goods are also subject to a customs formality fee, currently amounting to 3% of the total duties paid on the import. Certain imports are also subject to a value added tax (VAT). Tunisia's basic VAT rates are 18%, 12% and 6%, with the majority of goods covered by the 18% rate. Recent changes in the calculation of the VAT tax base (cost of the product) have resulted in slightly higher rates for some consumer goods that were previously taxed at 29%. Tunisia calculates VAT on the base price of the goods plus any import duties, surcharges, and consumption taxes. A consumption tax is applicable to certain imported and similar locally produced items. Rates can vary from 10% to as high as 700%. The highest rates are applicable to luxury items such as champagne.

Automobiles with large engine capacity also carry a high consumption tax, with rates rising to over 250%, but the GOT has reduced this to 100% on gasoline-fueled vehicles and to 125% for diesel vehicles if they are imported via an authorized distributor. Luxury cars currently enter Tunisian through a variety of unofficial routes and are available for sale at well below the official distributors' prices. The tax reduction is intended to make the prices of "officially" imported automobiles more competitive.

Trade Barriers Return to top

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

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

Tunisia still has non-tariff barriers, such as import licenses or quotas on certain products. These particularly apply to consumer goods that compete against locally-produced equivalents manufactured by developing industries or to goods for which domestic production is insufficient. The major categories affected by import restrictions are motor vehicles, in particular passenger cars, and pharmaceuticals. Automobile distributors officially representing foreign manufacturers are granted allotments of the annually-set national quota for the import of small-engine cars. These allotments are based to some extent on the amount of Tunisian-produced automobile components utilized in the foreign manufacturer's automobile designs. Importers have to request an allotment from the Government of Tunisia in order to receive an import license. This quota system is only for small engine cars; however, in general, individual Tunisian consumers may not import foreign vehicles privately, due to strict foreign exchange controls.

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

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

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

Import Requirements and Documentation Return to top

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

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

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

U.S. Export Controls

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Relatively few exports require an export license. Licenses are required in certain situations involving national security, foreign policy, short-supply, nuclear nonproliferation, missile technology, chemical and biological weapons, regional stability, crime control, or terrorist concerns. License requirements are dependent upon an item's technical characteristics, the destination, the end-use, the end-user, and other activities of the end-user, as well as the likelihood that an item will be diverted from its original shipment location or purpose and transshipped to another, unrecorded location. It is the responsibility of the company seeking to do business in Tunisia to determine whether or not an export license is necessary for its product or service. The Department of Commerce Bureau of Industry and Security provides guidance at: http://www.export.gov/regulation/index.asp.

Temporary Entry

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Offshore enterprises are allowed temporary entry of goods and equipment. Goods are allowed limited duty-free entry into Tunisia for transformation and re-exportation. Factories set up under this scheme are considered bonded warehouses and have their own assigned customs personnel.

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

Labeling and Marking Requirements

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The Consumer Protection Law No. 92-117 of 1992 established standard labeling and marking requirements. However, these regulations are not always fully enforced for locally made items produced for the domestic market. The labeling of items produced for export must meet international standards.

Prohibited and Restricted Imports

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

Customs Regulations and Contact Information

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

Tunisia's customs authorities can be contacted as follows:

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

Standards

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- Conformity Assessment
- Product Certification
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Overview

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Tunisian consumers are gradually becoming aware of their right to expect that the goods they purchase meet certain standards, such as safety.

Products available on the flourishing parallel market in Tunisia often do not meet acceptable safety standards.

Standards Organizations

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

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

Conformity Assessment

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

Product Certification

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

Accreditation
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INNORPI is responsible for accreditation.

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

Labeling and Marking
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The Consumer Protection Law No. 92-117 of 1992 established standard labeling and marking requirements. However, these regulations are not always fully enforced for locally-made items produced for the domestic market. The labeling of items produced for export must meet international standards.

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Institut National de la Normalisation et de la Propriété Industrielle
INNORPI
Headquarters in Tunis: Rue 8451 n° 8 par la rue Alain Savary,
BP 57 – Cité El Khadra – 1003 Tunis – Tunisia
Tel: +216 71 806 758 / Fax: +216 71 807 071
Email: innorpi@planet.tn

Sfax Regional Center: 1, rue Bejaya 3000 Sfax - Tunisia
Tel: +216 74 298 223 / Fax: +216 74 211 356

Trade Agreements
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Tunisia is a member of the Arab Maghreb Union (UMA) consisting of Tunisia, Algeria, Morocco, Mauritania, and Libya, a political/economic organization. The UMA nominally allows duty-free trade among members, although some barriers to trade remain.

Tunisia's most significant free trade agreement is that encompassing industrialized goods with the European Union, known as the Association Agreement. Tunisia formally ratified its Association Agreement with the EU in June 1996. The free trade zone with EU was effectively implemented in January 2008 after a gradual lowering of tariffs to zero over a 12-year period. Tunisia received assistance from the EU for its local industries during the transitional period. Tunisia and EU announced their intention to negotiate the liberalization of the services sector and agriculture trade in 2009 and are currently undergoing negotiations.

The Agadir Agreement, a framework for a free trade agreement with Egypt, Jordan, and Morocco signed in February 2004, will create a potential market of over 100 million people. Tunisia is also a signatory to several bilateral trade agreements notably with

Algeria and Libya but trade with these two countries still low, 3% and 4% respectively in 2009.

Web Resources	Return to top

Tunisian Government (Ministère du commerce et de l'Artisanat - Ministry of Commerce) www.ministeres.tn
European Union http://europa.eu.int
INS (Institut National de la Statistique National Statistics Institute) www.ins.nat.tn
INNORPI (Institut National de la Normalisation et de la Propriété Industrielle - National Institute for Standardization and Industrial Property) www.inorpi.ind.tn
JORT (Journal Officiel de la République Tunisienne - Official Journal of the Republic of Tunisia) www.cnudst.rnrt.tn/index26e1.html

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Chapter 6: Investment Climate

Openness to Foreign Investment

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

Foreign investment in Tunisia is regulated by Investment Code Law No. 93-120**,** dating from December 1993, and was last amended on January 26, 2009. It covers investment in all major sectors of economic activity except mining, energy, the financial sector and domestic trade.

The Tunisian Investment Code divides potential investments into two categories:

- Offshore, in which foreign capital accounts for at least 66 percent of equity and at least 80 percent of production is destined for the export market (with some exceptions for the agricultural sector), and

- On-shore, in which foreign equity is limited to 49 percent in most non-industrial projects. On-shore industrial investment can have up to 100 percent foreign equity.

The legislation contains two major hurdles for potential FDI:

- Foreign investors are denied national treatment in the agriculture sector. Foreign ownership of agricultural land is prohibited, although land can be secured through long-term (up to 40 years) lease. However, the Government actively promotes foreign investment in agricultural export projects.

- For onshore companies outside the tourism sector, government authorization is required if the foreign capital share exceeds 49 percent and can be difficult to obtain.

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

The Government of Tunisia allows foreign participation in its privatization program and a significant share of Tunisia's FDI in recent years has come from the privatization of state-owned or state-controlled enterprises. Privatizations have occurred in telecommunications, banking, insurance, manufacturing, and petroleum distribution, among others. Major FDI entered the financial sector via the privatization of Banque du Sud, since renamed Attijari Bank, in late 2005. In 2006, TECOM Investments and Dubai Investment Group purchased a 35% stake, valued at US $2.25 billion, in state-owned Tunisie Telecom. In July 2008, French company Groupama won a bid to purchase 35 percent of the Société Tunisienne d'Assurances et de Reassurances (STAR) for 70 million Euro (around $100 million). In 2008, the French bank Caisse Générale d'Epargne purchased 60 percent of the Tunisian Kuwaiti Bank (BTK), valued at US $249 million.

Tunisia's investment promotion authorities have established a system of regulations that has received favorable feedback from established U.S. companies it has assisted. Nevertheless, there are difficulties, particularly when U.S. companies have attempted to launch projects in sectors that the Government of Tunisia does not actively promote. Until recently the Government discouraged foreign investment in service sectors such as restaurants, real estate, and retail distribution. Many of these issues are expected to be addressed in the context of ongoing negotiations between Tunisia and the European Union over liberalization of services sector under the EU/Tunisia Association Agreement.

Indeed, FDI in retail distribution is gradually expanding. French multinational retail chain Carrefour opened its first store in 2001, followed by the entry of French retail company Géant in 2005. Until then, Monoprix, a French grocery franchise, dominated the retail grocery market. In August 2009, the Tunisian Government adopted a new law to regulate domestic trade, which includes a new legislative framework for franchising – until recently franchise status was only granted to businesses on a case-by-case basis. Thanks to this new law, franchises now have the ability to set up shop like any other business serving the Tunisian market. Although some issues still need to be clarified through the upcoming implementation decree, such as the details of royalty repatriation, the law will likely encourage investment, create additional jobs and boost knowledge transfer. Many Tunisian business groups have already started looking for international franchisors and are confident the market exists for franchises to thrive.

Since 2007, there have been numerous announcements of significant Arabian Gulf company investments in the real estate sector but due to the international economic crisis, some investments have been postponed and possibly cancelled. Sama Dubai, which was set to build the Mediterranean Gate mega-construction project, has halted their operations. Investment has not come to a complete standstill, however: Another such investment, the Bukhatir Group's Tunis Sports City, a sports and recreational complex, is moving forward as planned.

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

Each year in June, the Ministry of Development and International Cooperation and the Foreign Investment Promotion Agency (FIPA) hosts an investment promotion event called the Carthage Investment Forum. The purpose of the event is to introduce visiting foreign investors to the Tunisian investment environment and local business opportunities.

Conversion and Transfer Policies

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The Tunisian Dinar is not a fully convertible currency, and it is illegal to take dinars in or out of the country. Although it is convertible for current account transactions (i.e. most bona fide trade and investment operations), Central Bank authorization is needed for some foreign exchange operations. The Government of Tunisia has publicly committed to full convertibility of the dinar by 2014.

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

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

Foreign investors may transfer returns on direct or portfolio investments at any time and without prior authorization. This applies to both principal and capital in the form of dividends or interest. U.S. companies have generally praised the speed of transfers from Tunisia, but lamented that long delays may occur in some operations.

There is no limit to the amount of foreign currency that visitors can bring into Tunisia and exchange for Tunisian Dinars. Amounts exceeding the equivalent of 25,000 Tunisian Dinars (approximately US $19,250) 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 5,000 Tunisian Dinars (roughly US $3,850). Tunisian customs authorities may require production of currency exchange receipts on exit.

The dinar is traded on an intra-bank market. Trading operates around a managed float established by the Central Bank (based upon a basket of the Euro, the US dollar and the Japanese yen). In 2009 (up to November 25), the Tunisian Dinar appreciated 2.8 percent against the USD and depreciated 3.1 percent against the Euro.

Expropriation and Compensation Return to top

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

Dispute Settlement Return to top

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 eventual disputes should be handled and the applicable jurisdiction. Tunisia is a member of the International Center for the Settlement of Investment Disputes and is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The Tunisian legal system is based upon the French Napoleonic code. There are adequate means to enforce property and contractual rights. Although the Tunisian constitution guarantees the independence of the judiciary, the judiciary is not fully independent of the executive branch. Local legal experts assert that courts are susceptible to political pressure.

The Tunisian Code of Civil and Commercial Procedures does allow for the enforcement of foreign court decisions under certain circumstances. Commercial disputes involving U.S. firms are relatively rare. In cases were disputes have occurred, U.S. firms have generally been successful in seeking redress through the Tunisian judicial system.

Performance Requirements and Incentives Return to top

Performance requirements are generally limited to investment in the petroleum sector or in the newer area of private sector infrastructure development. These requirements tend to be specific to the concession or operating agreement (e.g., drilling a certain number of wells or producing a certain amount of electricity). More broadly, the preferential status (offshore, free trade zone) conferred upon some investments is linked to both percentage of foreign corporate ownership and limits on production for the domestic market.

The Tunisian Investment Code and subsequent amendments provide a broad range of incentives for foreign investors, which include tax relief on reinvested revenues and profits, limitations on the value-added tax on many imported capital goods, and optional depreciation schedules for production equipment.

In order to encourage employment of new university graduates, the Government will bear the full cost of the employee's salary for the first two years of employment, and then a portion of the salary for the next five years. The Government will also pay initial training costs for new graduates. On December 23, 2008, the GOT announced that it would bear 50 percent of employers' contributions to the National Social Security Fund (CNSS) during period of partial layoffs due to the international financial crisis.

Large investments with high job creation potential may benefit, under certain conditions determined by the Higher Commission on Investment, from the use of state-owned land for a symbolic Tunisian dinar (less than one U.S. dollar). Investors who purchase companies in financial difficulty may also benefit from certain clauses of the Investment Code, such as tax breaks and social security assistance; these advantages are determined on a case-by-case basis.

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

Further benefits are available for investments of a specific nature. For example, companies producing at least 80 percent for the export market receive tax exemptions on profits and reinvested revenues, duty-free import of capital goods with no local equivalents, and full tax and duty exemption on raw materials and semi-finished goods and services necessary for the business.

Foreign companies resident in Tunisia face a number of restrictions related to the employment and compensation of expatriate employees. Tunisian law limits the number of expatriate employees allowed per company to four. There are lengthy renewal procedures for annual work and residence permits. Although rarely enforced, legislation limits expatriate work permit validity to a total of two years. Central Bank regulations impose administrative burdens on companies seeking to pay for temporary expatriate technical assistance from local revenue. For example, a foreign resident company that has brought in an accountant would have to document that the service was necessary, fairly valued, and unavailable in Tunisia before it could receive authorization to transfer payment from its operations in Tunisia. This regulation prevents a foreign resident company from paying for services performed abroad.

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

Right to Private Ownership and Establishment

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

Acquisition and disposal of business enterprises can be complicated under Tunisian law and depend on the nature of the contract specific to the proposed transaction.

Disposal of a business investment leading to reductions in the labor force may be challenged or subjected to substantial employee compensation requirements. Acquisition of an on-shore company may require special authority from the Government if it is an industry subject to limits on foreign equity shareholding (such as in the services sector).

Protection of Property Rights Return to top

Secured interests in property are both recognized and enforced in Tunisia. Mortgages and liens are in common use. Tunisia is a member of the World Intellectual Property Organization (WIPO) and has signed the United Nations (UNCTAD) Agreement on the Protection of Patents and Trademarks. The agency responsible for patents and trademarks is the National Institute for Standardization and Industrial Property (INNORPI - Institut National de la Normalisation et de la Propriete Industrielle). Foreign patents and trademarks should be registered with INNORPI.

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

The new Customs Code, which went into effect on January 2009, allows customs agents to seize suspect goods in the entire country for products under foreign trademarks registered at INNORPI. Tunisian Copyright Law (No. 94-36, dated February 24, 1994) has been amended by law No. 2009-33, dated June 23, 2009, and includes literary works, art, scientific works, new technologies and digital works. However, its application and enforcement have not always been consistent with foreign commercial expectations. Print audio and video media are considered particularly susceptible to copyright infringement, and there is evidence of significant retail sale of illegal products in these media. Illegal copying of software and entertainment CDs/DVDs is widespread.

Although the concept and application of intellectual property protection is still in the early stages, the Government is making an effort to build awareness and has increased its enforcement efforts in this area. These efforts have led a major supermarket chain to halt the sale of pirated audio and video goods. A U.S. Government-backed initiative, operated by the Department of Commerce in conjunction with United States Patent and Trademark Office (USPTO) provides training for Tunisian officials in the field of IPR regulation enforcement. The Government of Tunisia has announced that new IPR legislation is being drafted which 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, it continues to enact legislation and implement protectionist measures to safeguard domestic industry. Some amendments to the Investment Code have substantially improved, standardized, and codified incentives for foreign investors. However, some aspects of existing tax and labor laws remain impediments to efficient business operations.

Tunisia's ranking improved from 73 to 69 of 183 economies regarding the ease of doing business in the World Bank's Doing Business 2010 report. That said, some bureaucratic procedures, while slowly improving in some areas, remain cumbersome and time-consuming. Foreign employee work permits, commercial operating license renewals, infrastructure-related services, and customs clearance for imported goods are usually cited as the lengthiest and most opaque procedures in the local business environment. Investors have commented on inconsistencies in the application of regulations. These cumbersome procedures are not limited to foreign investment and also affect the domestic business sector.

Efficient Capital Markets and Portfolio Investment [Return to top]

The mobilization and allocation of investment capital are still hampered by the underdeveloped nature of the local financial system. Tunisia's stock market "Bourse de Tunis" is under the control of the state-run Financial Market Council and lists 51 companies. The Government offers substantial tax incentives to encourage companies to join the exchange, and expansion is occurring. In September 2009, the stock market capitalization of listed companies in Tunisia was valued at TND 11.209 billion (US $8.689 billion), approximately 21% of 2009 GDP, up from TND 8.301 billion (US $6.723 billion) in December 2008. Over the first nine months of 2009, Tunindex, the stock market's benchmark index, grew by 40.5 percent, up from 28.6 percent growth in 2008 for the same period. Capital controls are still in place. Foreign investors are permitted to purchase shares in resident firms (through authorized brokers) or to purchase indirect investments through established mutual funds.

The banking system is considered generally sound and is improving as the Central Bank has begun to enforce adherence to international norms for reserves and debt. Given the current pace of reforms, the banking sector actually weathered the international economic crisis and resisted serious adverse effects visible in other countries. Reform is underway, however. Recent measures include actions to strengthen the reliability of financial statements, enhance bank credit risk management, and improve creditors' rights. Revisions to banking laws tightened the rules on investments and bank licensing, and increased the minimum capital requirement. The required minimum risk-weighted capital/asset ratio has been raised to 8 percent, consistent with the Basel Committee capital adequacy recommendations. Despite the strict new requirements, many banks still have substantial amounts of non-performing or delinquent debt in their portfolios. The Government has established debt recovery entities (sociétés de recouvrement de créances) to buy the non-performing loans (NPLs) of commercial banks. The current ratio of NPLs to total loans is around 15 percent although the Presidential electoral program, announced in October 2009, targets a 7 percent ratio by 2014. Although in recent years the Government has undertaken a number of banking privatizations and consolidations, the Government is the controlling shareholder in 10 of the 20 major banks. The estimated total assets of the country's five largest banks are about TND 24.482 billion (roughly US $19.83 billion). Foreign participation in their capital has risen significantly and is now well over 20 percent.

In the last five years regulatory and accounting systems have been brought more in line with required international standards. Most of the major global accounting firms are represented in Tunisia. Tunisian firms listed on the stock exchange are required to publish semiannual corporate reports audited by a certified public accountant.

On June 12, 2009 the GOT passed legislation addressing access to financial services for non-residents (law No. 2009-64). Financial authorities aimed essentially to address regulatory gaps in the existing system by giving an appropriate framework for financial transactions between non-residents, introducing new financial tools attractive to foreign investors, defining new rules for monitoring and supporting the creation of the Tunis Financial Harbor project (a US $3 billion Bahraini project inaugurated on June 12, 2009 and envisioned to include banks, real estate firms, investment companies, commercial centers, housing units and tourism areas). The code allows non-resident individuals or companies to use financial products and services as well as perform other relevant financial operations. Non-resident financial service providers may, in some cases and under certain conditions, provide services to residents. Regarding financial products, the code distinguishes between two types: securities and financial contracts. Both must be issued in Tunisia or negotiated on a foreign regulated market member of the International Securities Commissions Organization.

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

Among the conditions required, non-resident financial service providers must present initial minimum capital (fully paid up at subscription) in convertible currency equivalent in dinars to 25 million for a bank (US $19.25 million), 10 million (US $7.7 million) for a financial institution, 7.5 million (US $5.775 million) for an investment company and 250,000 (US $192,500) for a portfolio management company.

Competition From State Owned Enterprises Return to top

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

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

- Trade liberalization through the removal of import and export licenses, dismantling customs duties on imported goods in line with the Tunisia's international commitments (especially within the World Trade Organization and the European Union), and establishing bilateral and/or multilateral free-trade agreements with Arab countries such as Morocco, Egypt, Jordan, Libya and Algeria. However, imports of the most basic products such as cereals, sugar, oil and steel have remained under the control of State-Owned Enterprises (SOE) due to their socio-economic impact and to protect against inflation.

- Providing incentives to the private sector through a unified investment code for public and private enterprises, reforms in financial and tax systems, trade policy reforms, and privatization in a number of sectors, such as telecommunications.

SOEs are active in many sectors and compete alongside private enterprises (such as the telecom and insurance sectors). However, SOEs retain monopoly control in other sectors considered sensitive by the government, such as rail road transportation, water and electricity distribution, postal services and ports logistics. In these companies, senior management is appointed by the GOT and reports to the respective minister. The board of directors is mainly formed by representatives from other ministries and public shareholders. Like private companies, SOEs are required by law to publish independently-audited annual reports whether their capital is publicly traded on the stock market or not.

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

Corporate Social Responsibility Return to top

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

To date, most corporate social responsibility initiatives come from foreign multinationals that incorporate Tunisia into worldwide campaigns. Examples include supporting an educational program related to children's nutrition, supporting a clean water initiative, and creation of a program aimed at discouraging emigration of skilled workers from Tunisia. Such programs are viewed favorably by the GOT.

Political Violence Return to top

Tunisia is a stable country, and incidents involving politically-motivated damage to economic projects or infrastructure are extremely rare. In April 2002, al-Al-Qa'ida took responsibility for at an attack at the synagogue on the island of Djerba that claimed 20 victims, 14 of them German tourists. This resulted in a significant reduction in the number of European visitors in the immediate aftermath of the attack, but the sector has now recovered. In December 2006 and January 2007, Tunisian security forces disrupted a terrorist group, killing or capturing many individuals who reportedly planned to carry out acts of violence in Tunisia. The U.S. Embassy in Tunis was reportedly among the group's intended targets. In February 2008 Al-Qa'ida in the Islamic Maghreb claimed responsibility for kidnapping two Austrian tourists along Tunisia's southern border with Algeria. They were released in Mali in September, reportedly after payment of a ransom.

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/docs/dojdocb.html.

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

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

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (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, signing in March, 2004 and coming into force in September, 2008.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html). Tunisia is not a party to the OAS Convention.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) Tunisia is not a party to the Council of Europe Conventions.

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

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 antibribery 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

Tunisia's penal code devotes 11 articles to defining and classifying corruption and to assigning corresponding penalties (including fines and imprisonment). Several other legal texts also address broader concepts of corruption including violations of the commercial or labor codes, which range from speculative financial practices to giving or accepting bribes. Detailed information on the application of these laws or their effectiveness in combating corruption is not publicly available. There are no statistics specific to corruption. The Tunisian Ministry of Commerce publishes information on cases involving the infringement of the commercial code, but these incidents range from non-conforming labeling procedures to price/supply speculation. The print media report abuses of fiduciary authority by public officials only on rare occasions. Anecdotal reports from the Tunisian business community and U.S. businesses with regional experience suggest that corruption exists, but is not as pervasive as that found in neighboring countries. After several years of steady improvement, Tunisia's ranking on Transparency International's (TI) Corruption Index dropped from 43 in 2005 with a CPI score of 4.9 to 65, in 2009 with a score of 4.2. At the regional level, Tunisia is ranked 8th among MENA countries, before its direct competitor, Morocco (10), and its neighbors Algeria (11) and Libya (15). According to the TI Corruption Index scale, a score of ten indicates extremely little corruption and a score of zero means very serious corruption.

Most U.S. firms involved in the Tunisian market have not identified corruption as a primary obstacle to foreign direct investment. Some potential investors have asserted that unfair practices and corruption among prospective local partners have delayed or blocked specific investment proposals, or there has been an appearance that cronyism or influence peddling has affected some investment decisions. Some analysts believe corruption, or the perception of corruption, has affected domestic investment rates.

The Government's recent efforts to combat corruption have concentrated on ensuring that price controls are respected, enhancing commercial competition in the domestic market, and harmonizing Tunisian laws with those of the European Union. Since 1989, the public sector is governed by a comprehensive law designed to regulate each phase of public procurement and established the Higher Market Commission (CSM - Commission Supérieure des Marchés) to supervise the tender and award of major Government contracts. The Government publicly supports a policy of transparency and has called for it in the conduct of privatization operations. Public tenders require bidders to provide a sworn statement that they have not and will not, either themselves or through a third party, make any promises or give gifts with a view to influencing the outcome of the tender and realization of the project. Pursuant to the FCPA, the U.S. Government requires that American companies requesting U.S. Government advocacy support with foreign states certify not to participate in corrupt practices.

Anti-Corruption Resources

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

- Information about the 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 212 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/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at http://go.worldbank.org/RQQXYJ6210.

- 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/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm.

- 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 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at http://report.globalintegrity.org/.

Bilateral Investment Agreements

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A Trade and Investment Framework Agreement (TIFA) between Tunisia and the United States was signed in 2002 and three TIFA Council meetings have taken place, most recently in March 2008. A Bilateral Investment Treaty between Tunisia and the United States took effect in 1991. A 1985 treaty (and 1989 protocol) guarantees U.S. firms freedom from double taxation.

Tunisia has concluded bilateral trade agreements with approximately 81 countries. In January 2008, Tunisia's Association Agreement with the EU went into effect eliminating tariffs on industrial goods with the eventual goal of creating a free trade zone between Tunisia and the EU member states. In addition, Tunisia is signatory of the multilateral agreements with the Multilateral Investment Guarantee Agency (MIGA). Tunisia has signed the WTO Agreement, bilateral agreements with the Member States of the European Free Trade Association (EFTA), bilateral and multilateral agreements with Arab League members, and a bilateral agreement with Turkey.

OPIC and Other Investment Insurance Programs

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OPIC is active in the Tunisian market and provides political risk insurance and other services to a variety of U.S. companies. OPIC supports private U.S. investment in Tunisia and has sponsored several reciprocal investment missions. The 1963 OPIC agreement with Tunisia was revised and signed in February 2004.

Labor

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Tunisian labor is readily available. Tunisia has a labor force of approximately 3.5 million and a national literacy rate of about 75 percent. About 90 percent of the work force under 35 is literate. The official unemployment rate is 14.1 percent (although this is considerably higher in some regions). The figure does not include many who are underemployed.

Nearly 80,000 new jobs must be created each year to keep unemployment at current levels, while sustained annual GDP growth of about 7 percent would be required in order to make significant inroads into the chronic unemployment figure. The structure of the workforce has remained stable over the past 20 years (19 percent agriculture, 32 percent industry, and 49 percent commerce and services).

The right to form a labor union is protected by law. There is only one national labor confederation, the General Union of Tunisian Workers (UGTT - Union General des Travailleurs Tunisiens). The 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 Government of Tunisia. These agreements set industry standards and generally apply to about 80 percent of the private sector labor force, whether or not individual companies are unionized. The most recent wage agreements were completed on August 3, 2009, although negotiations on sectoral wages are still underway. The official minimum monthly wage in the industrial sector is 225.160 TND (about US $173.37) for a 40 hour week and 260.624 TND (about US $200.68) for a 48 hour week.

Foreign Trade Zones/Free Trade Zones

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Tunisia has two free trade zones, one in the north at Bizerte, and the other in the south at Zarzis. The land is state-owned, but the respective zones are managed by a private company. Companies established in the free trade zones, officially known as “Parcs d’Activités Economiques,” are exempt from most taxes and customs duties and benefit from special tax rates. Goods are allowed limited duty-free entry into Tunisia for transformation and re-export. Factories are considered bonded warehouses and have their own assigned customs personnel.

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

Foreign Direct Investment Statistics

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Total foreign investment during the first 10 months of 2009 was TND 1.77 billion (US $1.36 billion), which represents a 36.4 percent drop (when calculated in USD, the drop is 39.55 percent) compared to the same period last year. This decline in foreign investment is the result of 34.4 percent decrease in foreign direct investment (TND 1.7 billion (US $1.3 billion) down from TND 2.6 billion (US $1.36 billion), and a 63.72 percent drop in portfolio investment (TND 70.7 million (US $54.43 million) down from TND 194.9 million (US $157.869 million). Over the third quarter of 2009, foreign investment in portfolio was marked by an ongoing withdrawal of foreign investors from the Tunis Stock Market as well as flat volume of transactions on their behalf. This withdrawal was likely due to the liquidity squeeze in foreign financial markets. The downward trend in FDI is attributable to a drop in investment flows for the sectors of energy and services as well as well as the effect of the international economic crisis. Some decline is attributable to a delay in disbursement of the investment announced by the Divona/Orange France Telecom consortium, which won the third telecom operator license valued at TND 257.251 million (US $198.08 million). Although this investment occurred during 2009, the consortium only disbursed a first tranche, TND 92 million (US $70.84 million), in August and has yet to disburse the rest.

Over 2,966 foreign or joint capital companies are operational in Tunisia and employ 303,142 people. Foreign investments generate about one-third of exports and one-fifth of total employment. In recent years, however, FDI in real estate, infrastructure, and the energy sector has been a significant source of growth.

Tunisia’s largest single foreign investor is British Gas, which has developed the Miskar offshore gas field (US $650 million) and is investing a further US $500 million for new development. The largest single foreign investment was Turkish company TAV's 550 million euro (US $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 (Lucent, Lacroix Electronique, Sagem, Alcatel, Stream, Siemens, Philips, Thomson), the automotive industry (Lear Corporation, Draxlmaier, Valeo, Toyota Tsusho, Pirelli), food products (3 Suisses, Danone) and aeronautics (Zodiac Aerospace, Eurocast, SEA Latelec).

Major U.S. company presence in Tunisia includes: Citibank, Cisco, Coca-Cola, Crown Cork, Eurocast (a joint venture with Palmer), Hewlett-Packard, Johnson Controls, Lear Corporation, Pioneer Natural Resources, Microsoft, Pfizer, Sara Lee (represented in Tunisia under the name of Essel Tunisie / DBA), and Stream. JAL Group, originally part of an Italian-owned group producing safety footwear for the export market, was recently purchased by U.S. investors and, with a staff of over 4,600, is now the largest U.S. employer in Tunisia. Over the past few years, Pioneer Natural Resources continued to expand its oil and gas drilling and production operations in Tunisia, bringing its total investments in Tunisia to approximately US $160 million.

Web Resources

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

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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

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

How Does the Banking System Operate

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The Tunisian banking system is a mixture of private and state-owned institutions offering varying types of financial instruments and services. Banks are strictly regulated by the Central Bank of Tunisia, which in recent years has increasingly insisted upon prudential norms for bank reserves and balance sheets, in compliance with international standards. The following banks - Société Tunisienne de Banque (STB), Banque National Agricole (BNA), Banque de l'Habitat (BH), Banque International Arabe de Tunisie (BIAT), and Amen Bank (AB) - account for about 70% of total banking assets and approximately 60% of banking system loans. All are implementing restructuring programs; key challenges they face include a continued reduction in non-performing loan ratios, implementation of tighter credit risk controls and enhanced recovery procedures, and upgrading seriously under-developed IT applications.

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

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

Foreign-Exchange Controls

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

- Foreign investors may freely repatriate profits and proceeds from the sale of equity, but other transfers may be subject to Central Bank authorization.

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

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

U.S. Banks and Local Correspondent Banks

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Citibank, the only U.S. bank operating in Tunisia, has both onshore and offshore branches, with offices in Sfax and Tunis. The bank deals with 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 for the transfer of funds into and out of Tunisia.

Project Financing

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Financing is generally available. Tunisian banks are conservative and often reluctant to deal with newer firms, but it is rare for an enterprise to fail due to lack of financing. Bankers have described the Tunisian market as one where the supply of short-term commercial credit has exceeded demand.

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

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

The U.S. Trade and Development Agency (TDA) has also assisted U.S. firms seeking contracts in the Tunisian market. TDA's services in recent years have included feasibility study funding, conditional training grants, and trade development missions.

The World Bank (International Bank for Reconstruction and Development - IBRD) and African Development Bank (ADB) support 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. Recent ADB assistance includes a $195 million gas project and a $226 million road program. The European Investment Bank (EIB) and the Japanese Economic Development Fund are both involved in financing a variety of major infrastructure projects and vocational training. The EIB also finances imports of European capital goods. Since 1978, the EIB has granted Tunisia a total amount of 1.3 billion Euros (around $1.7 billion). U.S. companies participate in World Bank-financed projects in Tunisia but are sometimes barred from participating in EU-funded projects.

Web Resources

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Export-Import Bank of the United States http://www.exim.gov
Country Limitation Schedule
http://www.exim.gov/tools/country/country_limits.html
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
http://www.fsa.usda.gov/ccc/default.htm
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://www.citigroup.com/citigroup/global/tun.htm

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Chapter 8: Business Travel

Business Customs

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

- The official language in Tunisia is Arabic but French is widely spoken and serves as the common business language. An increasing number of Tunisians also speak English.

- The business environment is formal. Business suits are recommended.

- U.S. business representatives should always have business cards available.

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

Travel Advisory

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

Visa Requirements

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U.S. business travelers generally do not need a visa if they plan on staying in Tunisia less than four months. If a traveler wishes to live and work in Tunisia, they must present themselves at their local police station to obtain a residency card. They may then present the residency card to the Ministry of Social Affairs in order to obtain a work permit. The Ministry of Development and International Cooperation can help expedite the residency and/or work permit process for foreign investors. By law, these permits are valid for only one year, renewable for one additional year upon application. In practice, this limitation is rarely enforced and expatriate residents routinely stay in Tunisia beyond the two-year maximum, renewing their permits annually. Embassy Tunis is committed to facilitating valid business travel to the United States. Generally, travel that qualifies for a business (B-1) visa includes consultations with business associates; attendance at scientific, educational, professional or business conventions, or conferences on specific dates; contract negotiations or participation in short-term training. Applicants are encouraged to apply well in advance of intended travel. Embassy Tunis' website outlines the non-immigrant visa application process, and offers links to the required online forms and appointment system.

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

State Department Visa Website: http://travel.state.gov/visa/index.html

United States Visas.gov: http://www.unitedstatesvisas.gov/

Consular section U.S. Embassy Tunis: http://tunisia.usembassy.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. Many U.S. cellular services provide roaming service in Tunisia.

- 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. It is estimated that there are 3.14 million Internet users in Tunisia, but only about 336,000 actual Internet subscribers.

- ISPs can only access the internet via the state Tunisian Internet Agency (ATI). This agency can and does block access to numerous sites that it considers dangerous to national security, damaging to moral values or critical of the government. Blocked sites include pornography and incitements to extremism but also those of opposition political parties and international human rights groups as well as some major commercial sites such as YouTube.

Some users have been able to circumvent this type of filtering. The government's policies in this area appear to reflect an effort to balance its stated political and security concerns with the growing demand for Internet access and other new information technologies.

Transportation

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Tunisia has a relatively well-developed infrastructure that includes six commercial seaports and seven international airports. The tender to build a new deep-water port in Enfidha has been issued and construction of the first part of the new international airport in Enfidha has finished. The principal airport in Tunisia is Tunis-Carthage International Airport, situated 10 kilometers from the capital. There are seven other international airports: Monastir-Habib Bourguiba, Djerba-Zarzis, Tozeur-Nefta, Sfax-Thyna, 7 Novembre-Tabarka, Gafsa-Ksar and the most recent, Enfidha International Airport.

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

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

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

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/or German.

Health

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Except when specialized care is required, most illnesses can be treated locally. 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	8:30	13:00 / 9:00	13:00 in greater Tunis
		15:00	17:45 / 14:30	17:45 in greater Tunis
	Friday	8:30	13:00 / 9:00	14:00 in greater Tunis
	Saturday	8:30	13:30 / 9:00	14:00 in greater Tunis
Summer (July/August)				
	Mon/Thurs	7:30	14:00	
	Friday	7:30	13:00	
	Saturday	7:30	14:00	
Ramadan**	Mon/Thurs	8:00	14:00	
	Friday	8:00	13:00	
	Saturday	8:00	14:00	

Private Sector* (including banks)

Winter	Mon/Fri	8:00	12:00
		14:00	18:00
Summer (July/August)			
	Mon/Friday	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 2010, Ramadan will be o/a August 11 - September 9.

Major Tunisian secular holidays are as follows:

Tunisian Independence Day -	March 20
Tunisian Youth Day -	March 21
Martyr's Day -	April 9
Labor Day -	May 1
Republic Day -	July 25
Women's Day -	August 13
Anniversary of change of government -	November 7

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

Dates for 2010 are:

Mouled (one day) o/a February 26, 2010

Aid Esseghir (El-Fitr) (two days) o/a	September 9 and 10, 2010
Aid El Kebir (El-Idha) (two days) o/a	November 16 and 17, 2010
Ras El Am El Hijri (one day) o/a	December 7, 2010

* o/a - on or about

Temporary Entry of Materials and Personal Belongings

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

Web Resources

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Tunisian Government (Ministère du Transport - Ministry of Transportation)
www.ministeres.tn
Société de Transport de Tunis (TransTu) Tunis Transport Company
www.snt.com.tn

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Chapter 9: Contacts, Market Research, and Trade Events

- Contacts
- Market Research
- Trade Events

Contacts Return to top

U.S. Embassy Tunis	http://tunis.usembassy.gov
Tunisian – American Chamber of Commerce (TACC)	http://www.tacc.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)	www.sncft.com.tn/default.asp
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.int
IACE (Institut Arabe des Chefs d'Entreprise – Arab Institute of Heads of Companies)	www.iace.org.tn

Market Research Return to top

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/marketresearch.html and click on Country and Industry Market Reports.

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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Please click on the link below for information on upcoming trade events.

	http://www.export.gov/tradeevents.html
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.tn/

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Chapter 10: Guide to Our Services

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

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

https://www.buyusa.gov/tunisia/en/

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