

Tunisia: one of the most attractive investment sites on the south shore of the Mediterranean



Basic data :

- A population of 10 million inhabitants, 26% under 15 years (average age:28)
- GDP per capita in 2008: \$US 3,759 (\$US 7,938 in purchasing power parity) .
- Main cities: Tunis (2,3 million inhabitants), Sfax (894,200), Gabes (149,000), Sousse (579,000 inhabitants) .
- Mediterranean climate in the North, and on the coast, semi-arid in the interior and Saharan in the South.
- Currency: Tunisian dinar (0,570 Euro)

Tunisia continues to attract an increasing number of foreign investors, despite the global economic crisis. The number of foreign companies operating in Tunisia has indeed increased significantly in recent years to reach 2,966 units by the end of 2008. A new survey by Ernst & Young on industrial strategy by 2016 indeed describes Tunisia as the southern Mediterranean country that attracts the largest number of European companies.

Foreign direct investment (FDI) plays an important role in the Tunisian economy. In 2008, FDI accounted for 20,8% of Tunisian investment, 6,5% of GDP and 50% of external capital inflow. Despite the effects of the global crisis, several foreign companies are being set up in Tunisia and the new plants turn increasingly to high value added activities, such as the sector of mechanical, electrical and electronic industries. With over 40 companies currently in operation, aeronautics is another sector offering real potential for companies seeking better performance, as is the ICT sector.

Nevertheless, the so-called traditional sector are also continuing their dynamic growth: the agro-food sector experienced a real dynamics in recent years and remains among the first industrial activities in terms of investment, with 3% of the total investment in manufacturing.

The textile & clothing industry has undergone successive changes and its adaptability and vertical integration is to become a mainstay of the Tunisian industry. In 2008, its exports grew by 8% and Tunisia is now among the leading global suppliers of clothing.

To provide support to foreign companies, a series of measures have been implemented to preserve employment positions and stimulate activities. The Tunisian state will thus support the interest rate for the benefit of exporting companies, 50% of charges during period of slowdown in business activities and the Central Bank, in cooperation with six off-shore banks, is to set up a credit line aimed at maintaining projects in the country. A reduction in coverage of currency exchange risks and a particular effort by the national bond company for export pro-financing are added to these measures.

A competitive country

The 2008-2009 report on global competitiveness released by the World Economic Forum in Davos ranked Tunisia 36th out of 134 developed and emerging countries in terms of global competitiveness. This excellent result is due the country's economic and social stability, an opening to the outside and a free access to the EU market, the freedom to invest, the geostrategic position and adequate infrastructure.

Exports are the driving force behind growth and Tunisia is the first industrial exporter from the south shore of the Mediterranean to the EU. All foreigners can invest freely in Tunisia and hold up to 100% of the capital project in most sectors while non-residents may also purchase shares in Tunisian companies to a maximum of 49,99%. Tunisia is at the heart of the logistics chain for the Euro-Mediterranean and the gateway to a market of 500 million consumers. The road infrastructure is modern and telecommunication, electricity and water services are competitive through performing and reliable networks. The country has also 121 industrial zones spread across a total area of 3,807 hectares and equipped with many amenities. According to the 2007-2011 economic development plan, 35 industrial zones covering 677 hectares in 2011 will be realized, to reach a total area of about 4,500 hectares.

Legal incentives

The legislative and regulatory frame work provides effective guarantees to foreign investors: total freedom of investment and possible possession of 100% of capital, repatriation of proceeds from sale of capital, freedom of exchange with the possibility to operate with bank accounts held abroad.

To encourage the export of goods and services, benefits are granted in the form of total exemption from taxes and duties on imports of equipment, raw materials and semi-finished products plus a full exemption from taxation on profits during the first ten years of activity. Extremely simplified establishment procedures are implemented through one stop windows for start-ups, but also for administrative formalities.

Innovation and research

Tunisia is the country on the southern shore of the Mediterranean which has the highest number of graduates per capita. In terms of innovation, the country is ranked 27th globally and at the forefront of Arab and African countries.

National research involves more than 28,000 researchers working in 30 centres, more than 630 research units and 140 laboratories. Several foreign companies have chosen Tunisia as a platform for their research and to establish regional R&D and engineering centers.

In addition to the deployment of 6 technological parks socialized in various sectors, 1,000 innovating companies will be created.

Last but not least, the capital Tunis is ranked among the cheapest cities in the world. It ranks 133rd out of 144 in the ranking of the most expensive cities by Mercer Human Resources in 2007. Tunisia was also ranked at the top of Arab countries where it is “pleasant to live” according to International Living.

Useful Links

- Tunisian government : www.ministeres.tn
- Ministry of Finance : www.portail.finances.gov.tn
- Investment Promotion Agency FIPA : www.investintunisia.tn
- Export Promotion Centre (CEPEX): www.cepex.nat.tn
- Tunisian Union for Commerce Industry & Handicrafts (UTICA): www.utica.tn