

TUNISIA

Economic Freedom Score



World Rank: **109**

Regional Rank: **11**

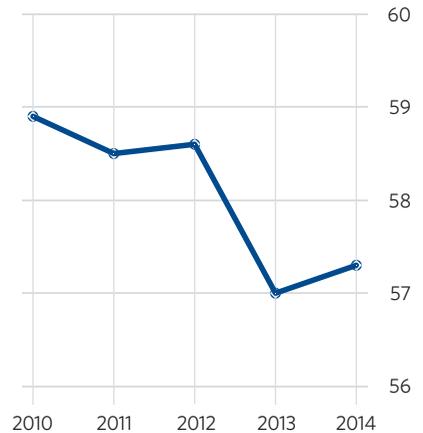
Tunisia's economic freedom score is 57.3, making its economy the 109th freest in the 2014 *Index*. Its score is 0.3 point higher this year, with improvements in trade freedom and labor freedom largely offset by declines in business freedom and monetary freedom. Tunisia is ranked 11th out of 15 countries in the Middle East/North Africa region, and its overall score is below the world average.

Over the 20-year history of the *Index*, Tunisia's economic freedom score has declined by over 6 points, one of the 20 biggest drops in the history of the *Index*. Across the 10 economic freedoms, including the areas of the rule of law, regulatory efficiency, and market openness, Tunisia's ratings have declined substantially. Tunisia's economy was considered "mostly free" during most of the first 10 years of the *Index* but has been largely rated "mostly unfree" since 2003.

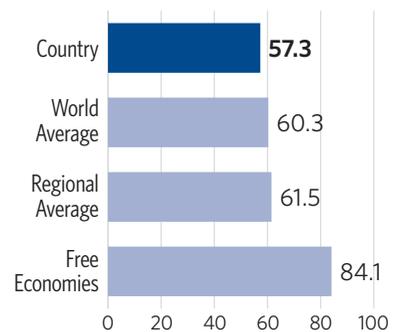
The overall entrepreneurial environment remains severely constrained. An overbearing regulatory framework, exacerbated by poor access to credit and high financing costs, stifles economic activity and hurts business expansion and the development of a vibrant private sector. Corruption, which is perceived as widespread, is a serious problem.

BACKGROUND: Tunisia, birthplace of the "Arab Spring," ousted President Zine al-Abidine Ben Ali in January 2011. Moncef Marzouki has served as interim president since December 2011. The formerly banned Islamist Ennahda Party has the largest number of seats in parliament, but the country's governance is still in turmoil. Tunisia's diverse economy is based on manufacturing, tourism, agriculture, and mining. An association agreement with the European Union has helped to create jobs and modernize the economy, but the EU economic slowdown has depressed demand for Tunisian-made goods. Salafi Islamist violence has undermined foreign investment and tourism. Political stability also is threatened by high unemployment, particularly in the impoverished interior of the country.

Freedom Trend



Country Comparisons



Quick Facts

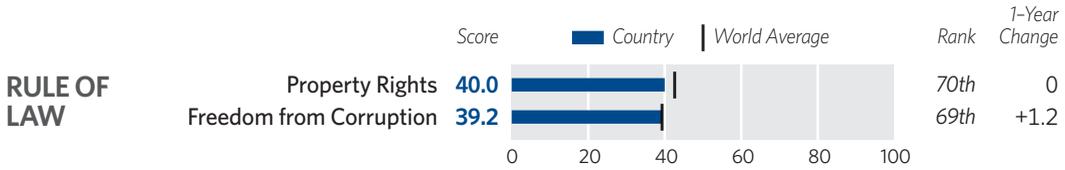
Population: 10.8 million
GDP (PPP): \$105.3 billion
 3.6% growth in 2012
 5-year compound annual growth 2.5%
 \$9,775 per capita
Unemployment: 18.9%
Inflation (CPI): 5.6%
FDI Inflow: \$1.9 billion
Public Debt: 44.5% of GDP

How Do We Measure Economic Freedom?

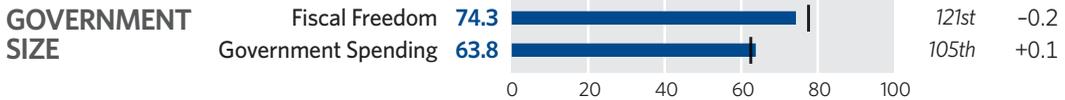
See page 471 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2012 data unless otherwise noted.
 Data compiled as of September 2013.

THE TEN ECONOMIC FREEDOMS



Financial investigators are pursuing hundreds of corruption cases from the era of the Ben Ali government that involve activities that include bribery, embezzlement of state assets, contraband and drug-trafficking, and money laundering. Independence and fairness are poorly institutionalized within the judicial system, and law enforcement is uneven across the country. Property rights are not protected effectively.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax (VAT) and a property tax. The overall tax burden amounts to 21.1 percent of gross domestic income. Government spending is 35 percent of GDP. Public debt is equal to about 45 percent of the domestic economy. Political instability and security issues continue to weaken economic recovery.



It takes less than two weeks to incorporate a business, and no minimum capital is required, but completing licensing requirements costs over twice the level of average annual income. Despite some progress, the rigid labor market still lacks the capacity to facilitate much-needed job creation. In response to the 2011 crisis, the government increased and expanded subsidies, although steps were taken in 2013 to reduce them.



The average tariff rate is 14.1 percent. Non-tariff barriers impede imports of some pharmaceutical and agricultural goods. Foreign investment is subject to government screening. The financial sector, dominated by state-owned banks that account for almost 40 percent of total banking assets, remains fragmented. Modernization and diversification of the financial system has begun, but overall progress has been slow.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+4.6	Business Freedom	-4.3	Trade Freedom	+16.4
Freedom from Corruption	-10.8	Government Spending	-5.3	Labor Freedom	+9.8	Investment Freedom	-35.0
				Monetary Freedom	-5.2	Financial Freedom	-20.0