Tunisia’s economic freedom score is 57.7, making its economy the 107th freest in the 2015 Index. Its score is 0.4 point higher than last year, with improvements in the control of government spending, freedom from corruption, and business freedom largely offset by declines in labor freedom and monetary freedom. Tunisia is ranked 11th out of 15 countries in the Middle East/North Africa region.

Tunisia's transition to a more open and inclusive economy has been hurt by political instability and indecisiveness in implementing critical reforms. Over the past five years, economic freedom in Tunisia has declined by 0.8 point, with deteriorations in four of the 10 economic freedoms, including property rights, the control of government spending, and monetary freedom.

Inconsistent rule of law and regulatory inefficiency weaken Tunisia's fragile economic framework. Years of corruption under the Ben Ali regime instilled a culture of nepotism and cronyism that prevented much-needed market liberalization. Following through on structural and institutional reforms will be critical to the success of Tunisia’s ongoing transition to a functioning market economy.

BACKGROUND: Tunisia, birthplace of the Arab Spring, ousted President Zine al-Abidine Ben Ali in January 2011. Shortly thereafter, the formerly banned Islamist Ennahda Party won the largest number of seats in the National Constituent Assembly. The Ennahda government stepped aside in 2014 following the ratification of a new constitution in January, and an interim technocratic government was installed, led by Interim Prime Minister Mehdi Jomaa. The Nidaa Tounes party headed by Béji Caïd Essebsi won the most seats in parliamentary elections in late 2014. 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 is also threatened by high formal-sector unemployment.

How Do We Measure Economic Freedom?
See page 475 for an explanation of the methodology or visit the Index Web site at heritage.org/index.
### THE TEN ECONOMIC FREEDOMS

#### RULE OF LAW
- **Property Rights**: 40.0 (70th, 0)
- **Freedom from Corruption**: 41.0 (77th, +1.8)

Tunisia’s handling of commercial disputes is fairly efficient by regional standards, but only slow progress has been made in reforming the judiciary. A majority of citizens say that corruption has increased during the past two years as the breakdown of authority has encouraged graft at lower levels of government and in law enforcement. Property rights are not protected effectively.

#### GOVERNMENT SIZE
- **Fiscal Freedom**: 74.3 (119th, 0)
- **Government Spending**: 70.8 (82nd, +7.0)

Tunisia’s top individual income tax rate is 35 percent, and its top corporate tax rate is 30 percent. Other taxes include a value-added tax and a property tax. The overall tax burden equals 21 percent of domestic output. Government expenditures amount to 31.2 percent of gross domestic product, and public debt equals 44 percent of the domestic economy.

#### REGULATORY EFFICIENCY
- **Business Freedom**: 81.2 (30th, +0.5)
- **Labor Freedom**: 69.1 (60th, −3.5)
- **Monetary Freedom**: 74.8 (111th, −1.1)

Previous regulatory reforms have proven to be largely cosmetic, failing to create momentum for entrepreneurial growth. In the absence of a well-functioning labor market, informal labor persists in many sectors. The state decreased subsidies for bread, sugar, and other basic materials in 2014 but ultimately reversed an effort to raise subsidized gasoline prices to reduce the fiscal deficit.

#### OPEN MARKETS
- **Trade Freedom**: 61.2 (161st, −0.6)
- **Investment Freedom**: 35.0 (144th, 0)
- **Financial Freedom**: 30.0 (131st, 0)

Tunisia’s average tariff rate is 14.4 percent. Some agricultural imports face additional barriers. In most cases, foreign investment is capped by the government. Foreign investors may not own agricultural land. The financial sector is weak, fragmented, and dominated by the government. Financing options for start-ups and small and medium-sized companies remain very limited, with capital markets underdeveloped.

### Long-Term Score Change (since 1995)

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<tr>
<th>RULE OF LAW</th>
<th>GOVERNMENT SIZE</th>
<th>REGULATORY EFFICIENCY</th>
<th>OPEN MARKETS</th>
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<td>Business Freedom</td>
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<td>Government Spending</td>
<td>Labor Freedom</td>
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