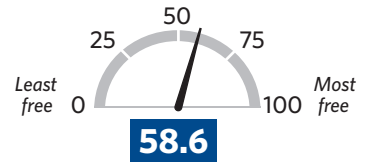


TUNISIA

Economic Freedom Score



World Rank: **95**

Regional Rank: **11**

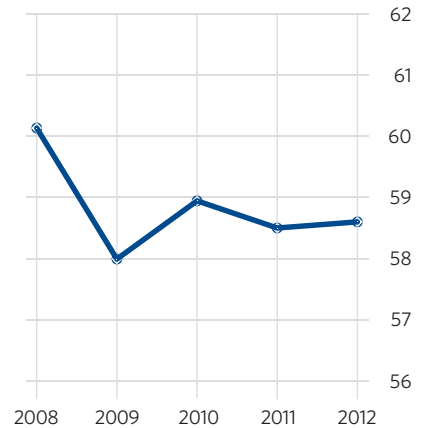
Tunisia's economic freedom score is 58.6, making its economy the 95th freest in the 2012 *Index*. Its score is virtually unchanged from last year, though wide swings in individual categories of economic freedom reflect the overall level of turmoil within the society. Tunisia is ranked 11th out of 17 countries in the Middle East/North Africa region, and its overall score is just below the world average.

Before the popular uprising in early 2011, Tunisia had implemented a number of structural reforms to boost competitiveness and reduce poverty. Some progress had been made in lowering barriers to foreign investment and promoting an evolving entrepreneurial sector.

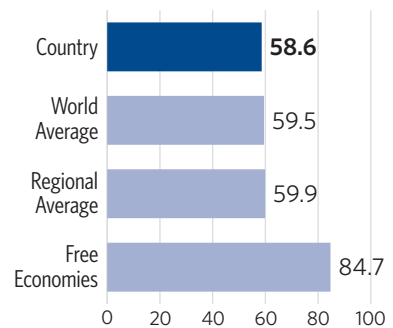
However, key institutional reform measures had failed to bring tangible benefits to the stagnant economic system or revitalize its dynamism. As the Tunisian economy is undergoing a challenging transition, deeper reforms to enhance governance and strengthen the foundations of economic freedom are critically needed. Those reforms include strengthening of the judicial system, better protection for property rights, and more effective eradication of corruption.

BACKGROUND: Gradual economic reforms undertaken by President Zine al-Abidine Ben Ali since the early 1990s included privatization of some state-owned firms, simplification of the tax code, and greater fiscal restraint, but crony capitalism, corruption, nepotism, and political repression triggered a revolt that forced him into exile in January 2011. Elections in October 2011 gave the formerly banned Islamist Ennahda Party the largest number of seats in parliament and a significant say in drafting the new constitution. Tunisia's economy includes significant agricultural, mining, energy, tourism, and manufacturing sectors. An association agreement with the European Union has helped to create jobs and modernize the economy, which has also benefited from expanded trade and tourism, but the EU economic slowdown has depressed demand for Tunisian-made goods. Real economic growth fell steeply in 2011 due to political uncertainty, declining tourism, and reduced inflows of foreign investment.

Freedom Trend



Country Comparisons



Quick Facts

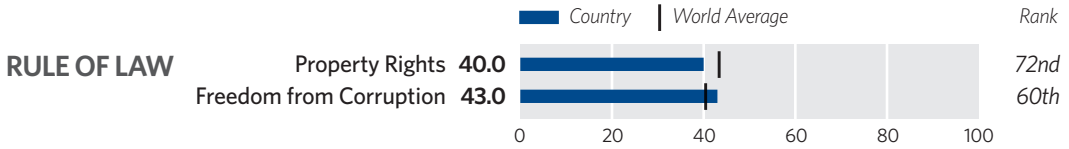
Population: 10.5 million
GDP (PPP): \$100.0 billion
 3.7% growth in 2010
 5-year compound annual growth 4.6%
 \$9,483 per capita
Unemployment: 14.0%
Inflation (CPI): 4.4%
FDI Inflow: \$1.5 billion
Public Debt: 40.4% of GDP

How Do We Measure Economic Freedom?

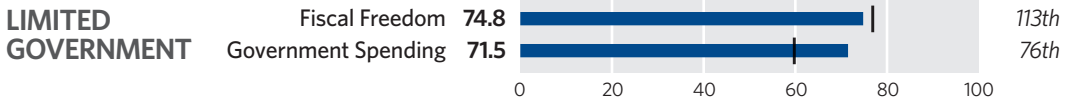
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
 Data compiled as of September 2011.

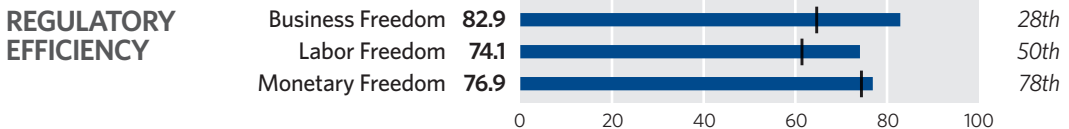
THE TEN ECONOMIC FREEDOMS



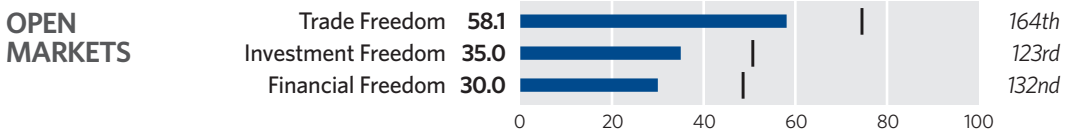
The future security of property rights in Tunisia is uncertain due to political instability and ongoing changes. The rule of law has become uneven across the country. Protection of property rights is not enforced effectively, with an independent and fair judicial system poorly institutionalized throughout the economic system. Corruption continues to erode the foundations of economic freedom.



The top 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 transfer tax, with the overall tax burden amounting to 19.9 percent of total domestic income. Government spending has reached a level equivalent to 30.8 percent of GDP. The budget has run small deficits in recent years, and public debt has hovered at around 40 percent of GDP.



Despite some progress, the regulatory framework has long lacked transparency or efficiency. Although the business start-up process has been streamlined on paper, completing licensing requirements still costs more than twice the level of average annual income. The rigid labor market has been stagnant, failing to generate dynamic job growth. The government influences prices through state-owned enterprises.



The trade weighted average tariff rate is prohibitively high at 16 percent, with non-tariff barriers further raising the cost of trade. Despite efforts to attract more foreign investment, growth in long-term investment has been inhibited by heavy bureaucracy and recent political uncertainty. The weak financial sector is fragmented and dominated by the state. Access to credit is limited, and capital markets are underdeveloped.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-10.0	Fiscal Freedom	+1.1	Business Freedom	+2.7	Trade Freedom	+4.6
Freedom from Corruption	+1.0	Government Spending	-6.1	Labor Freedom	+8.4	Investment Freedom	0
				Monetary Freedom	-0.4	Financial Freedom	0