TUNISIA

A&T BANK

EXECUTIVE SUMMARY

Economic Research
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Ayşe Özden
Manager
aozden@atbank.com.tr

Maral Haçikoğlu
Specialist
mhacikoglu@atbank.com.tr

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Slow economic recovery due to continuing social instability

Although we expect gradual economic recovery in Tunisia driven by the positive developments in tourism and agricultural sectors, growth will remain modest due to elevated social instability that could deteriorate investors risk appetite. We maintain our core view that, the medium-term outlook is expected to depend on the government's ability to implement reforms for its key priorities. Tunisia has a diversified economy with agriculture represents 10% of the GDP, industry accounts 28.3% of GDP (manufacturing sector is dominated by textile and leather, which accounts 45% of total goods export) and services sector represents 61.6% of GDP as of 2016. Tunisia's economic development mainly depended on phosphates, agribusiness, manufacturing and tourism sector.

Fragile banking system due to high level of NPLs

Despite the passage of recapitalization plan and the adoption of new banking legislation in 2016, the restructuring of the Tunisian banking sector will remain a long-lasting process because the banks are still have an extensive holdings of NPLs. While we found latest regulations positive for the banking sector, NPL ratio remained high and stood at 14.4% in 2016, which was the highest in the Southern Mediterranean countries.

FDI in Tunisia remained low in 2016

Net FDI flows declined in 2016 amid deterioration of the country's security situation and the lack of medium and long-term economic visibility. Net FDI flows declined to USD958mn in 2016, compared to the USD1bn in 2015. As a result, country's total FDI stock fell by 16% in compared to previous year and realized as USD29.3bn, which was lower than USD34.7bn recorded in 2015.

Turkey and Tunisia trade relations

In the first seven month of 2017, Turkey exports to Tunisia fell by 6% to USD485mn in compared to same period of the previous year, whereas imports decreased by 15.6% to USD97mn. Overall, trade volume of Turkey to Tunisia is standing at USD582mn in the first seven month of 2017, lower than trade volume amounted as USD631mn in the same period of 2016.

Turkey and Tunisia signed deals this year to promote bilateral relations on energy, industry and trade. According to the national sources, Turkey could import olive oil and phosphate from Tunisia, which are generally used for fertilizer. There are approximately 60 Turkish firms operating in Tunisia with total amount of investment being nearly USD1bn. Main sectors are contractor ship services, plastics recycling, automobile spare parts, textile, poultry, aluminum appliances production etc.

SWOT - Tunisia

Strengths

- Well diversified economy.
- Proximity to European markets.
- High human capital development.
- Peaceful political transition in compared to Egypt, Libya, Syria and Yemen.
- Adequate logistic network with a well-connected rail network.

Weaknesses

- Fragile banking system with high level of NPLs.
- High youth unemployment.
- Uncertain political environment.
- Weak export growth due to dependency on European market.

Opportunities

- Massive foreign aid packages from multilateral lenders.
- Recapitalization of the banking system.
- Market-oriented public policy framework.
- Low minimum wages decrease labor costs for business.
- The government aims to strengthen its military and counter-terrorism forces.
- Recovery in agriculture and tourism.
- Accelerating growth in the Eurozone will result in increased trade

Threats

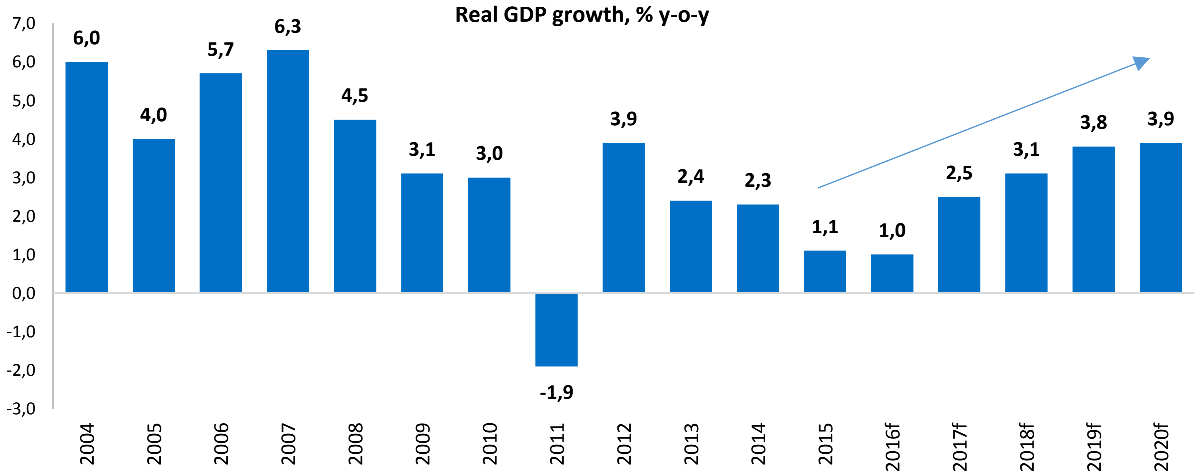
- Low public investment.
- Absence or weakening of reform agenda.
- Reginal disparities, especially between coastal and interior areas.
- Low literacy rates.
- Fragile investor sentiment.
- Social instability.

1- ECONOMIC OUTLOOK

Main Economic Indicators					
	2014	2015	2016	2017f	2018f
Nominal GDP, USDbn	47,6	43,2	41,9	40,3	40,5
Real GDP growth, % y-o-y	2,3	1,1	1,0	2,5	3,1
Consumer price inflation, % y-o-y, ave	4,9	4,9	3,7	3,9	3,8
Budget balance, % of GDP	-5	-5,1	-6,1	-5,4	-4,9
Current account balance, % of GDP	-9,1	-8,9	-9,0	-8,6	-8,1
Unemployment rate % of total labor force	15,3	15,0	14,0	13,0	12,0

Source: National Sources, BMI, IMF

A&T Bank View: *While we expect gradual economic recovery in Tunisia driven by the positive developments in tourism and agricultural sectors, growth will remain modest due to elevated social instability that could deteriorate investors risk appetite. We maintain our core view that, the medium-term outlook is expected to depend on the government's ability to implement reforms for its key priorities.*



Source: National Sources, BMI, IMF

Tunisia has a diversified economy with agriculture represents 10% of the GDP, industry sector accounts 28.3% of GDP (manufacturing sector is dominated by textile and leather, which accounts 45% of total goods export) and services sector represents 61.6% of GDP as of 2016. In services sector, information and communication technologies and tourism are the important sub sectors, while tourism sector share in total services sector is 14%, approximately 70% of foreign arrivals to Tunisia come from Western Europe.

Tunisia's economic development mainly depended on phosphates, agribusiness, manufacturing and tourism sector. Tunisia managed to enter in top 10 phosphate-producing countries list of 2016 as the extracted phosphate generally used for the production of fertilizer and chemicals. Tunisia is a net importer of energy and the country's oil production only accounts 46% of the Tunisian total energy needs.

Similarly, construction sector is another important field in Tunisia as the government expects average 3% annual growth rate in real estate construction in the coming periods. Despite promising outlook in tourism and agricultural sectors, security problems could cloud the outlook in Tunisia. Although Tunisian government implemented new structural reforms, investor sentiment remained fragile due to continuing social instability. The new investment code that introduces more flexibility to transfer and repatriate funds, tax exemptions for major projects for 10 years and banking sector reforms are the important issues that will have a positive impact on economic development.

In our view, Tunisian economy has some challenges such as high unemployment (15.2% in Q217), regional inequalities, social instability and limited improvements in households living conditions. However, we think that the projected recovery is set to remain more gradual than expected helped by the positive implementation of structural reforms and the improving performance in tourism and agricultural sectors. After a slower growth performance between 2011-2016 (just 1.4% growth rate between 2011-2016 period) we expect gradual recovery for 2017 and 2018, with growth rates of 2.5% and 3.1% respectively.

The largest component of Tunisia's growth is private consumption expenditure, accounting 70% of GDP, public consumption also continues to play prominent role and its share in economic activity is 20% of GDP. We see some risks in private consumption expenditure in the coming period as high unemployment could disrupt private consumption expenditures and deteriorate consumer confidence and spending trends.

The country has twin deficit problem with current account deficit is expected to realize as 8.6% of GDP in 2017. In our view, recovery in tourism sector, uptick in exports mainly in electronics and textile sectors along with improving macroeconomic condition in the Eurozone could positively affect current account position. However, rising oil prices and the increasing energy import could deteriorate current account position. We expect current account deficit to realize as 8.6% and to 8.1% of GDP in 2017 and 2018. It should be noted that Tunisia is highly reliant on aid flows to finance its current account deficit and the sizable current account deficit will be financed by remittances.

Despite IMF's support and improving structural reforms, we expect gradual reduction of the budget deficit as rising social instability could prevent the government's ability to pass fiscal consolidation in the coming periods. It should be noted that IMF agreed to the disbursement of the second tranche of loans, which amounted as USD314mn. We think this loan is important step to ensure financing needs, support investor confidence and the country's reform agenda.

In addition to extended fund facility with the IMF, Tunisia signed a USD5bn agreement with World Bank in 2016 and in order to finance its current account and budget deficit issued sukuks and Eurobonds. In order to reduce public spending and cut budget deficit, Tunisia issued EUR850mn bond in February 2017 and USD1bn bond in April 2017. As the government found strong demand from the issues, the bond issuance are expected to continue in the coming period. We expect gradual recovery in budget deficit with the implementation of the taxation reform. However, public sector situation will improve gradually as regional instability and domestic socio-economic grievances will continue to weigh on public spending decision.

2- FOREIGN TRADE & FDI

Export:

Electrical machinery and equipment, textiles and clothing, mineral fuels, mineral oils and products of their distillation, animal or vegetable fats and oils and their cleavage products along with inorganic chemicals account for 75% of the country's total export. However, exports of phosphate and its derivatives have been below expectations and energy exports decreased during recent years.

The recent figures have shown that textile, food processing and electrical products export gained momentum as Tunisia has the competitive advantage for the investment in textile, machinery and electrical products, automotive parts, pharmaceutical products, footwear and leather, food and information technology sectors. On a sectoral basis, with its USD1bn export value, agricultural sector accounts around 6% of Tunisia's total export. In addition, Tunisia is the world third largest olive oil producer for the 2015-2016 harvest season and the first worldwide exporter of olive oil. While olive oil accounts 25% of total agricultural products export (Italy and U.S. have taken 70% share from total olive oil export), fish is Tunisia's second important export product (11% share from total agricultural products export) as Tunisia is the world largest tuna fish producer and exporter.

As of 2016, while electrical equipment and machinery export accounted 27.8% of Tunisia's total export, it followed by textile and clothing with 21.9% share. While Tunisia is the ninth largest textile & apparel supplier of Europe, more than 90% of Tunisian exports went to the Europe. 77% of total exports belong to EU in 2016, followed by Libya (4.3%) and Algeria (3.9%). In 2016, country's goods and services exports fell by 4.0% in compared to previous year and stood at USD16.9bn due to decreasing oil prices, which continued to deteriorate oil exports in 2016.

Import:

The three major import partners of Tunisia were EU (55.8%), China (8.0%) and Algeria (4.1%). Historically, Tunisia mainly imports mineral fuels, mineral oils and products of their distillation, consumer goods and capital equipment (machinery, vehicles, and plastics) from abroad. Country's goods and services imports decreased by 3.6% and realized as USD 21.5bn at the end of 2016. As we see that consumer goods import accounts around 30% of total import and Tunisia should import raw materials and semi-finished goods from abroad to maintain its production capability mainly in textile, plastic, machinery and mineral fuels sector. The simple average most favored nation (MFN) tariff rate applied by Tunisia, one of the founding members of the World Trade Organization, is 26.8% and the weighted MFN tariff rate is 21.3%.

In our view, manufacturing sector growth, improving economic condition in Eurozone along with stabilization of domestic conditions could improve country's export condition in the coming period. Import growth will continue as we expect larger amounts of consumer goods and capital equipment import from abroad. Tunisia's trade relationship stimulated by free-trade agreements with EU, EFTA, Turkey, Libya, Egypt, Morocco, Jordan and Mauritania.

Tunisia Foreign Trade Indicators				
Indicator Name	2015	2016	2017f	2018f
Goods and services exports, USDbn	17,6	16,9	16,2	16,2
Goods and services exports, USDbn, % y-o-y	-19,1	-3,7	-4,3	0,4
Goods and services exports, % of GDP	42,6	40,6	40,3	39,7
Goods and services imports, USDbn	22,3	21,5	20,3	20,2
Goods and services imports, USD, % y-o-y	-17,2	-3,7	-5,4	-0,4
Goods and services imports, % of GDP	54,1	51,6	50,6	49,4
Balance of trade in goods and services, USDbn	-4,7	-4,6	-4,1	-4,0
Balance of trade in goods and services, USD, % y-o-y	-9,5	-3,5	-9,6	-3,5
Balance of trade in goods and services, % of GDP	-11,5	-11,0	-10,3	-9,7

Source: BMI

Import Partners	Value (Million Euro)	Share (%)
World	17,577	100,0
EU	9,814	55,8
China	1,409	8,0
Algeria	715	4,1
Turkey	*669*	*3,8*
Russia	662	3,8
USA	546	3,1
Ukraine	304	1,7
Brazil	263	1,5
Azerbaijan	256	1,5
India	215	1,2

Export Partners	Value (Million Euro)	Share (%)
World	11,653	100,0
EU	9,019	77,4
Libya	496	4,3
Algeria	459	3,9
USA	308	2,6
Switzerland	175	1,5
Morocco	153	1,3
Turkey	*104*	*0,9*
Bangladesh	96	0,8
India	82	0,7
Egypt	59	0,5

Source: European Commission

Investment Outlook: Net Foreign Direct Investment (FDI) flows declined in 2016 amid deterioration of the country's security situation and the lack of medium and long-term economic visibility. Net FDI flows declined to USD958mn in 2016, compared to the USD1bn in 2015. As a result, country's total FDI stock fell by 16% in compared to previous year and realized as USD29.3bn, which was lower than USD34.7bn recorded in 2015. More than 3.410 foreign companies have settled in Tunisia providing over 365.180 jobs, according to the data of Foreign Investment Promotion Agency (FIPA). In 2016, the sectors that attracted the most FDIs were energy (47%), electrical and electronic industries (17%), pharmaceuticals (6%), agro-food (6%), and information and communications technology (5%). While U.K., France, Qatar, Austria and Italy are main investing countries in Tunisia, textile, computer science, corporate services, energy, tourism, leather and food industry represent growth opportunities.

According to the Tunisia's latest Investment code, offshore investment is defined as entities where foreign capital accounts for at least 66% of equity and at least 70% of production is destined for the export market. Some exceptions to these percentages exist for the agricultural sector. Onshore investment caps foreign equity participation at a maximum of 49% in most non-industrial projects. In certain cases subject to government approval, onshore industrial investment may attain 100% foreign equity. Tunisia has been a member of the World Trade Organization (WTO) since 1995 and the country is ranked 77 among 190 economies in the ease of doing business in 2016, according to the World Bank Doing Business 2017 Report.

In April 2017, Tunisian government has announced new investment law, which aims to boost economic activity. With aiming to encourage investments in Tunisia, the new law offers favors namely an investment subsidy, especially for the agricultural, fishing and infrastructure sector.

Despite continuing weakness in investor sentiment, Tunisia's proximity to European and African markets, low levels of bureaucracy and participation in a number of free trade agreements will improve the country's investment environment in the coming period. We expect gradual recovery in country's investment attractiveness for the coming period supported by implementation of structural reforms to boost growth and stabilize external imbalances.

Foreign Direct Investment In Tunisia			
Indicator Name	**2014**	**2015**	**2016**
FDI Inward Flow (USDmn)	1.064	1.002	958
FDI Stock (USDmn)	31.563	34.689	29.305
Number of Greenfield Investments	11	13	18
FDI Inwards (in % of GFCF)	10,9	11,6	11,4
FDI Stock (in % of GDP)	66,3	80,4	70,0

Source: UNCTAD, World Investment Report 2016, GFCF: Gross Fixed Capital Formation

Main Investment Projects in Tunisia:

- TAV Holding, Enfidha International Airport Project – amounted as Euro400mn.
- Sama Dubai City project- amounted as USD25bn.
- Rades-La Goulette Bridge (funded by Tunisian and Japanese consortium- amounted as USD112mn)
- Bukhatir Group, Tunis Sports City (joint venture UAE-Tunisia)
- Al Maabar, Bled El Ward or Dream City Ariana Project: The project aims to establish USD10bn new city named as Bled El Ward.
- New Financial Port of Tunisia: Long announced the project of financial port of Tunis, piloted by Tunis Bay Project Company, were officially launched on 27 November 2016 in Kalaat El Andalous. The port will be the first integrated banking and financial offshore center in North Africa. The project amounted to USD3bn.
- The Taparura Project: Part of an action programme designed by Tunisian government authorities and supported by the European Investment Bank, is an effort to rehabilitate a port area, which had been heavily polluted by industrial development. The project amounted to USD100mn.
- There are also three separate electricity generation projects carried out by the French company Alsthom and The African Development Bank supports the second stage of Tunisia water distribution project with a loan of Euro22.9mn.

Investment Opportunities by Sectors:

Food Industry: Food industry is one of the important sector in Tunisia. Food industry in Tunisia represents 1.064 companies accounting 18.5% of the industrial fabric (199 totally exporting companies and 166 companies with foreign participation). Tunisia is the third worldwide producer of olive oil for the 2015-2016 harvest season and the first worldwide exporter of olive oil. At the same time, Tunisia is the second exporter of organic products in Africa and the tenth worldwide tomato producer. Food industry represents more than 100 export destinations. The main markets remain those of the EU (Italy, France, and Spain) and Libya. New destinations are U.S., Canada, Russia, Japan, the Middle East and Sub-Saharan countries (Niger, Senegal and Côte d´Ivoire).

Mechanical, Electrical and Electronic: Mechanical parts machining with computer numerical control machines, manufacture of mechanical casts in aluminum or Zamak, stamping, deep drawing and laser cutting of sheet metal for cars, manufacturing and maintenance of molds for plastic technical parts for automobiles are the main investment opportunities in mechanical, electrical and electronic sector. Tunisia is the second manufacturer of automotive components in Africa. More than 230 companies are operating in the sector of automotive components of which 134 are totally exporting and 65 are specialized in aircraft industry. Mechanical, electrical and electronic Industries (MEEI) are the first export sector in Tunisia with 45% of industrial exports and 37.4% of exported goods. MEEI rank third in industrial investment after agribusiness and IMCCV (Construction Material, Ceramics and Glass Industries)

Plastic: Plastic sector represents more than 500 companies with more than 15.000 people working in the sector. The sector has the investment opportunities mainly in the bulky items and items in small batches for export such as pleasure craft, composite materials, particularly those in wood / plastics used in construction, and the sectors in automotive industry, household appliances, electro-technical fittings, electronics and telephony.

Textile & Apparel: Tunisia is the world leading providers in apparel and the ninth largest supplier of Europe and second supplier of France in this field. 1.695 companies are operating in this sector and textile is the important in the manufacturing industry. Spinning, weaving and finishing, upscale clothing and hosiery are the main development areas in this sector.

Leather & Footwear: The leather and footwear industry represents 238 companies, 175 totally exporting companies and more than 114 companies with foreign shareholding. According to latest figures, footwear stems and accessories are the first products exported by Tunisia. The European Union is the first partner of Tunisia in the sector in terms of investment and trade.

Market Entry Strategies:

New investment law provides a generous package of incentives for the company that plans to invest in offshore or export-oriented operations in Tunisia. Meanwhile entering the domestic market is difficult. In most sectors, a foreign company must have a Tunisian partner with a 51% (majority) stake in the venture. Unless the company is working on a project actively solicited by the Tunisian government, the process can be filled with obstacles. As government looks to increase foreign investment, these requirements may be reduced. Under the 2016 Investment Law, projects in certain sectors will be emphasized for rapid approval. *(Source: export.gov)*

Market Challenges:

- Government control continued in some key economic sectors, such as finance, utilities, and hydrocarbon.
- The Central Bank of Tunisia could give approval or apply restrictions to foreign exchange accounts and operations. While all non-resident companies free for the repatriation of funds and assets (if they have more than 66% foreign ownership), for firms that still assumed as resident companies (foreign ownership of less than 66%), request should be defined with the Central Bank to repatriate funds and assets.
- The offshore and onshore regimes have been applied in Tunisia. Accordingly, while in offshore investment, export-only goods and services benefit from a tax breaks and other incentives, onshore investment mainly contributes commerce within the Tunisian market. Foreign investors should establish a business partnership with local Tunisian firm for onshore investment.
- Tunisian law prevents exporting foreign currency from Tunisia to pay for imports prior to the presentation to a bank of documents (freight forwarder or Tunisian customs documents) confirming that the merchandise was actually shipped to the country. *(Source: export.gov)*

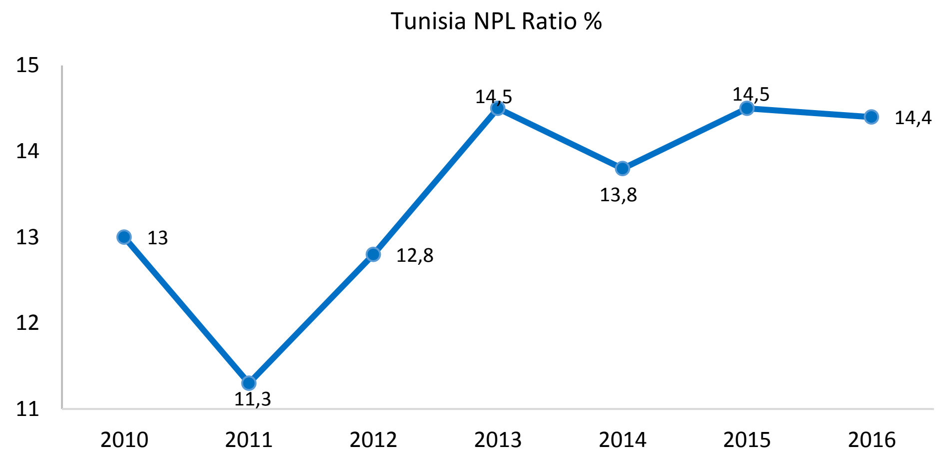
Major Groups That Invested in Tunisia				
Akzo Nobel	Esso	Kromberg & Schubert	Rieker	Thomson Multımedia
Asteel	Faurecia	Lacroix Electronics	Safran	Total
Autoliv	Fram	Latécoère	Scania	Toyota Tsusho
Aventis Sanofi	General Electric	Lear Corporation	Sewon	Unilever
Baxter	GM	Leoni	Siemens	Valeo
Benetton	Groupe BPCE	Lucent Technologies	Sioen	Van De Velde
BG Group	Haier	Microsoft	Societe Generale	Van Laack
BIC	Heineken	Miroglio	Somfy	Volvo
BNP	Henkel	Nestle	St Microelectronics	Yamaichi Electronics
Crown Cork	Hutchinson	Orange	Stelia	Yazaki
Danone	Johnson Controls	Pfizer	Stream	Yura Corporation
Dräxlmaier	Kaschke	Philips	Sumitomo	Zodiac Aerospace
Electrolux	KBE Elektrotechnik	Phoenix	Teleperformance	3 Suisses

Source: FIPA, Invest in Tunisia Bulletin

3- BANKING SECTOR OUTLOOK

A&T Bank View: *Despite the passage of recapitalization plan and the adoption of new banking legislation in 2016, the restructuring of the Tunisian banking sector will remain a long-lasting process because the banks are still have an extensive holdings of NPLs.*

Fragility will continue in Tunisia's banking sector in the coming period due to large scale of bad loans and poor governance. However, modernization of the banking sector framework, strengthening banking supervision and introducing effective bankruptcy law are the important steps that could support the resolution of NPLs.



Source: World Bank

In 2010-2016 period, NPLs are the main source of the systematic risk in the financial sector along with economic performance for Tunisia. The factors below increased the percentage of NPLs:

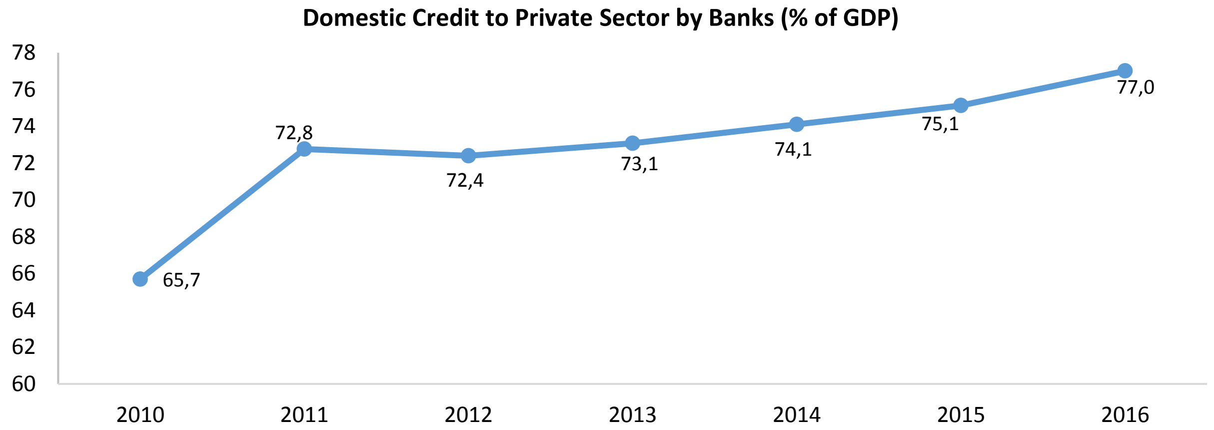
- The direct and indirect effects of the conflict in Libya
- The wait for local & foreign investor
- The significant decline of tourism sector
- Increasing unemployment, domestic credit and weak capital formation

According to the World Bank latest data, the proportion of non-performing loans increased by 14.4% in 2016, which was the highest in the Southern Mediterranean countries. Domestic credit to private sector (% of GDP) in Tunisia rose gradually between 2010-2016 period and realized as 77% in 2016, according to the World Bank latest development indicators.

In the banking sector, the high level of non-performing loans compounded by structurally low profitability weakens banks capacity to support investment and economic recovery. Overall capital adequacy has improved to 12.2% in end-December 2015 and banks continue to rely on central bank refinancing. Non-performing loans remain high and may deteriorate further once the freeze on tourism loan classifications. Weaker economic activity, including from an anemic tourism sector (about 25%of NPLs in 2015), and smaller intermediation margins could put additional pressure on bank soundness and profitability. (IMF Country Report No. 16/138)

According to the Oxford Business Group's figure, banking sector profit continued to increase by 14.9% in 2015, reached to TND654.1mn (Euro280.5mn), leading to a ROA of 0.9%, up from 0.8% in 2014, and a ROE of 10.1%, down from 11.3% in 2014.

The latest data from the country's commercial banking sector has shown that, the sector's assets fell by 4.1% to USD42.1bn and client loans decreased by 3.2% to USD28.2bn in 2016, in compared to 2015. On the funding side, client deposits fell by 3.2% in 2016 in compared to previous year and realized as USD22bn.



Source: World Bank

We expect moderate asset and deposit growth in the coming period with considering continuing volatility in oil market and decreasing public expenditures. We are hopeful about the country's banking sector in the coming period as the new legislation of the banking system (which introduced a deposit guarantee scheme and a lender-of-last-resort facility) and the financial support of the IMF and other international financial institutions, could help to increase lending activities with contributing country's growth performance.

Tunisia Commercial Banking Sector							
Indicator Name	2014	2015	2016	2017	2018	2019	2020
Total assets, USDmn	44.477	43.920	42.137	44.090	46.243	48.969	51.929
Total assets, TNDmn	82.897	89.637	98.601	108.461	119.308	131.238	144.362
Total assets, % of GDP	103,0	104,3	109	112	114	117	119
Total assets, % y-o-y (TNDmn)	10,0	8,1	10,0	10,0	10,0	10,0	10,0
Client loans, USDmn	30.051	29.131	28.202	29.778	31.516	33.677	36.037
Client loans, TNDmn	56.010	59.454	65.994	73.254	81.312	90.256	100.184
Client loans, % of GDP	69,6	69,2	73,0	75,6	77,8	80,1	82,4
Client loans, % y-o-y (TNDmn)	9,4	6,1	11,0	11,0	11,0	11,0	11,0
Client deposits, TNDmn	44.491	46.332	51.429	57.086	63.366	70.336	78.073
Client deposits, USDmn	23.871	22.702	21.978	23.206	24.560	26.245	28.084
Client deposits, % y-o-y (TNDmn)	7,4	4,1	11,0	11,0	11,0	11,0	11,0
Client deposits, % of GDP	55,3	53,9	56,9	58,9	60,6	62,4	64,2
Loan/deposit ratio	125,9	128,3	128,3	128,3	128,3	128,3	128,3
Loan/asset ratio	67,6	66,3	66,9	67,5	68,2	68,8	69,4

Source: BMI

According to reports of independent research institutes, Tunisia is considered as an important financial center of North Africa. The banking system in the country is under the control of the Central Bank of Tunisia. There are 20 commercial banks and 14 financial institutions in Tunisia. 10 of the financial institutions are leasing companies, while 2 institutions are factoring companies.

Public investments in Tunisia are mainly financed by the European Development Bank, the Islamic Development Bank, the Kuwait Arab Development Fund, the Saudi Arabian Development Fund, the African Development Bank and the World Bank.

In Tunisia, domestic and foreign banks have different transactions procedures. While foreign companies (especially offshore firms) should work with offshore banks, Tunisian firms have to work only with Tunisian banks. Offshore banks are subject to the international banking system and all kinds of money transfers are possible through these banks. However, Tunisian banks that working with the Tunisian firms have not able to transfer foreign exchange. In addition, foreign exchange account has not allowed for Tunisian citizens. Tunisian firms generally use payment form or letter of credit as the cash payment system restricted. While Tunisian citizens are not able to buy or sell foreign currency, for the export and import transactions, foreign currency transfer is possible with the permission of the Central Bank of Tunisia.

List of Commercial Banks in Tunisia	
Amen Bank	Banque Nationale Agricole
Arab Banking Corporation	Banque Tunisienne de Solidarite
Arab Tunisian Bank	Banque Tuniso-Koweitienne
Attijari Bank	Banque Tuniso-Libyenne
Banque de Financement des Petites et Moyennes Enterprises	Banque Zitouna
Banque de l'Habitat	Citibank
Banque de Tunisie et des Emirats	Société Tunisienne de Banque
Banque de Tunisie	Stusid Bank
Banque Franco Tunisienne	Tunisian Qatari Bank
Banque Internationale Arabe de Tunisie	Union Internationale de Banques

Source: Global Banking & Finance Review Bulletin

4- TURKEY & TUNISIA:

Foreign Trade:

Turkey's exports to Tunisia rose by 11% to USD911mn in 2016 and imports increased by 48.8% to USD214mn in compared to 2015. The trade volume of Turkey to Tunisia is standing at USD1.1bn in 2016, higher than trade volume of 2015, which amounted as USD963mn. Historically, trade balance has been in favor of Turkey. Although trade volume between two countries has exceeded USD1bn in 2016 it is still under potential compared to historical and cultural connection between the two countries.

In the first seven month of 2017, Turkey exports to Tunisia fell by 6% to USD485mn in compared to same period of the previous year, whereas imports decreased by 15.6% to USD97mn. Overall, trade volume of Turkey to Tunisia is standing at USD582mn in the first seven month of 2017, lower than trade volume amounted as USD631mn in the same period of 2016.

Tunisia mainly imports vehicles, iron and steel, cotton and mineral fuels from Turkey. While mainly exports inorganic chemicals, fertilizers, electrical machinery and articles of apparel and clothing accessories to Turkey. In order to improve current economic relations, Turkey and Tunisia signed deals this year to promote bilateral relations on energy, industry and trade. According to the national sources, Turkey could import more olive oil and phosphate from Tunisia, which are generally used for fertilizer.

In addition to registered trade figures, suitcase trade amounted as USD150-200mn in total Tunisia-Turkey total trade and the citizens of Tunisia mainly use ready-to-wear, leather goods, jewelry, gold and small household appliances for suitcase trade.

Tunisia-Turkey Foreign Trade Relationship

Years	Export (USDmn)	Import (USDmn)	Trade Balance	Trade Volume
2010	714	281	433	994
2011	802	250	553	1.052
2012	797	196	601	992
2013	892	289	603	1.181
2014	915	197	718	1.112
2015	819	144	675	963
2016	911	214	696	1.125
2017*	485	97	389	582

Source: Turkstat, Foreign Trade Statistics, * included January- July 2017 period.

Turkey's Exports to Tunisia by Products (USD thousands)	2014	2015	2016	Share in Total Export
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	101.271	77.509	98.614	10,8%
Iron and steel	58.404	62.857	92.186	10,1%
Cotton	97.649	80.219	86.875	9,5%
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	77.356	61.381	76.752	8,4%
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	65.823	86.242	70.086	7,7%
Plastics and articles thereof	47.654	46.486	43.051	4,7%
Paper and paperboard; articles of paper pulp, of paper or of paperboard	43.460	32.699	41.105	4,5%
Knitted or crocheted fabrics	31.014	32.443	39.215	4,3%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	36.550	39.647	35.931	3,9%
Articles of apparel and clothing accessories, not knitted or crocheted	42.127	22.982	34.209	3,8%
Articles of apparel and clothing accessories, knitted or crocheted	37.158	19.681	32.473	3,6%
Articles of iron or steel	41.078	33.899	31.200	3,4%
TOTAL	**915.041**	**819.094**	**910.720**	

Turkey's Imports From Tunisia by Products (USD thousands)	2014	2015	2016	Share in Total Import
Fertilizers	51.910	21.404	93.427	43,6%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television …	27.987	20.710	33.310	15,5%
Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, …	23.343	27.464	19.301	9,0%
Articles of apparel and clothing accessories, not knitted or crocheted	15.155	9.852	9.360	4,4%
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	11.571	7.665	8.373	3,9%
Footwear, gaiters and the like; parts of such articles	2.583	4.507	7.054	3,3%
Cotton	8.929	6.157	6.889	3,2%
Edible fruit and nuts; peel of citrus fruit or melons	3.822	4.960	5.668	2,6%
Articles of apparel and clothing accessories, knitted or crocheted	6.049	5.194	4.390	2,0%
Iron and steel	37	5.014	3.821	1,8%
TOTAL	**196.697**	**144.077**	**214.382**	

Source: Trademap

While there are approximately 60 Turkish firms operating in Tunisia with total amount of investment being nearly USD1bn, 90 Tunisian firms are actively operating in Turkish market. Turkish contractors have undertaken 13 project in Tunisia, which amounted as USD800mn and Turkish residents FDI in Tunisia amounted as USD225mn in 2002-2016 period.

As Tunisia is expected to release new investment projects (Tunisian new five-year development plan includes 36 new investment), Turkish firms are expected to continue their investment activities. It should be noted that, while

Turkey had previously provided USD200mn Eximbank loan to Tunisia, in order to support Tunisian economic development process, Turkey aims to provide additional USD100mn Eximbank loan in the coming period.

Main sectors are contractor ship services, plastics recycling, automobile spare parts, textile, poultry, aluminum appliances production etc. Furthermore, Turkish firms have been part of important investment projects like airport and factory construction.

Enfidha Airport project by TAV and Djebel Ressas Cement Factory project by EKON are the two biggest projects in the construction sector and TAV-Tepe Akfen Construction, Turkish Airlines, Sokatex – Philantex-I-II-III, ISKO, Wintech (Adopen), Semstone, Mavi Textile, Galaksi Ltd., Uğurteks and Zahir Textile are the main companies in Tunisia.

The Association Agreement establishing a Free Trade Area between Turkey and Tunisia was signed on 25 November 2004 in Tunisia and entered into force on 1 July 2005. The purpose of this agreement is increase and enhance the economic cooperation between the two countries, raise the living standards of the population of the two countries and gradually eliminate difficulties and restrictions on trade in goods, including the agricultural products. In addition, Tunisian government signed an agreement with Turkish companies for the construction of an integrated industrial zone, which would be built in the country's northern city of Ariana on a land of 100 hectares. The new industrial zone would be comprised of medium and small scale integrated companies.