Law 72: Where are State's Currencies?

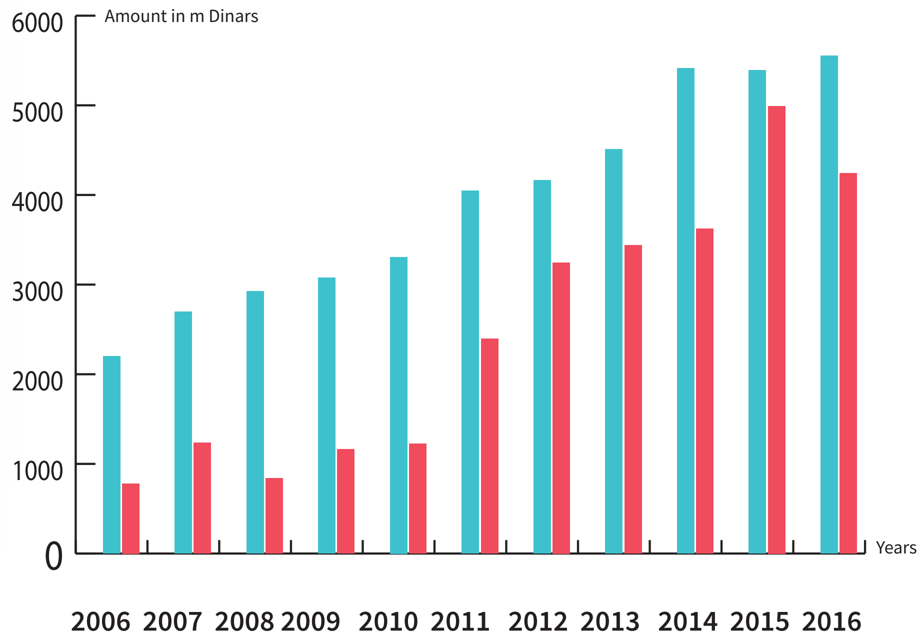
Key highlights

- Tunisia has cumulatively lost the equivalent of 43 billion dinars in foreign currency as a result of the exemption regime granted to non-resident companies by the Law 72 over the 2016-2006 period.

- Tunisia would not resort to external loans and would have a surplus equivalent to 16 billion dinars in foreign currency if it did not grant this privilege during the same period.

Title : *Foreign currency losses due to non-resident status (Act72) Vs. External borrowings in Tunisia 2006-2016 (in dinar equivalent)*

Author: *Tunisian Observatory of Economy .*
Sources : *Central Bank of Tunisia , Ministry of finances*



Foreign currency losses due to non-resident status

External borrowings in Foreign currenies

Offshore companies are, for the most part, non-resident companies according to section 5 of Law 72. Since these non-resident companies are not subject to the exchange rate regime, they do not fall back on the BCT's foreign exchange reserves while importing. On the other hand, they are not required to repatriate their currency earnings to the BCT while exporting. However, these companies produce most of their products in Tunisia and should therefore be subject to the exchange rate regime (see the Box of our Briefing Paper No. 1). Furthermore, it is a massive foreign exchange loss for Tunisia because the import-export balance is very positive for these non-resident companies. This is a substantial loss that, and as shown on the figure, can actually cover all the needed foreign loans for the last 10 years. Tunisia would not turn to foreign loans and would still have a foreign currency equivalent to 16 billion dinars in its treasury if it had reinstated non-resident companies under the exchange rate over the last 10 years. This would enable Tunisia to no longer appeal to the IMF, and would also provide the BCT with significant resources to defend the value of the Tunisian Dinar.

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