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GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Balance-of-Payments Restrictions

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1979 CONSULTATION UNDER ARTICLE XVIII:12(a) WITH TUNISIA

Basic Document for the Consultation[1]

I. LEGAL AND ADMINISTRATIVE BASIS OF THE IMPORT RESTRICTIONS

A. Act No. 76-18 of 21 January 1976 for the revision and codification of the exchange and foreign trade legislation at present governs Tunisia's relations with other countries.

The principal innovation made by this new text is that it has eliminated the apportionment by area under which special foreign trade advantages were accorded to the franc area.

Before that date, Tunisia's foreign trade was governed by numerous regulatory texts in which a differentiation was made between franc area countries and countries outside that area.

Under the new exchange code, all countries other than Tunisia are defined as "foreign". This new definition has implied abolition of the two-zone system and application of the foreign trade regulations to all countries in a uniform manner.

B. Implementing Decree No. 77-608 of 27 July 1977 relating to the above-mentioned Act.

II. SYSTEM AND METHODS OF THE RESTRICTIONS

Action taken in this field is designed to simplify foreign trade procedures and make them more flexible.

In this connexion, and in the context of application of the new exchange and foreign trade legislation, as from 1980 (after publication of the relevant notices) Tunisia will be applying the following systems and methods:

(1) For liberalized products

- on import: import certificate
- on export: exchange commitment

[1] Material supplied by the Tunisian authorities.

(2) For prohibited products

- on import: import licence
- on export: export licence

As may be seen from the foregoing, there are to be two major import régimes, depending on whether the product is liberalized or prohibited for import, without any discrimination as to its origin or the country of consignment.

(3) For raw materials and semi-finished products

An annual import permit system was established in 1971 for the benefit of manufacturers (cf. Notice No. 112, in Annex I). The permit, which is valid for the whole year, covers the import of raw materials and semi-finished products needed for the industries concerned.

III. COMMODITIES, OR GROUPS OF COMMODITIES, AFFECTED BY THE VARIOUS FORMS OF IMPORT RESTRICTIONS

(1) Prohibited products: the list of prohibited imports is reproduced in Annex II (Order of 2 February 1956)

(2) Liberalized products: these were the subject of Notice No. 116 published in the Official Gazette of the Tunisian Republic of 4 and 8 February 1972 and subsequent texts (see Annex III).

IV. STATE TRADING

Imports of certain sensitive major consumer products such as coffee, tea, pepper, cereals, tobacco, sugar, seed oil, etc. are entrusted to certain State agencies in order to ensure regular supplies at reasonable prices (generally compensated).

Accordingly, the nature of the product under import monopoly is a basic element for its inclusion in that system. The products concerned are in fact:

- either major consumer products, the monopoly being designed to ensure better price control at the distribution level;

- or products which have implications for the State budget and therefore require special supervision by the administration.

Examples: tobacco, medicaments and alcoholic beverages.

Furthermore, because of the substantial incidence on Tunisia's foreign exchange reserves, any purchase decision for a product under monopoly must be made by the relevant product board.

In any case the monopoly is not used to limit imports. The objective is to ensure regular supply of essential and major consumer products at reasonable prices in order to prevent any shortage of those products and safeguard the purchasing power of the Tunisian population.

V. MEASURES TAKEN SINCE THE LAST CONSULTATION

The measures taken since the last consultation in reorganizing or otherwise modifying import restrictions can be summed up as follows:

(1) Act regarding the new exchange and foreign trade code, and the relevant implementing decree, (see above).

(2) Act No. 73-45 of 23.7.73 bringing into force a new customs tariff designed to afford a more flexible customs tariff régime so as to ensure adequate supplies for the economy and increased competitiveness of the national production system.

(3) Addition to the lists published in notice No. 116 mentioned above (liberalized products) of new products considered essential for the country's development and economic progress.

These are mainly:

- most raw materials
- parts for agricultural and industrial machinery
- parts needed for industrial and hotel activities
- pharmaceutical products
- precision and laboratory apparatus and appliances
- capital goods for approved industrial undertakings.

It should be recalled that these products may be imported from all countries without any quantitative restriction or discrimination, subject to production of an import certificate issued by the intermediary banks to Tunisian economic operators, for the purpose of transferring foreign exchange.

(4) Decree No. 78-315 of 23 March 1978 establishing as from 25 March 1978 a special compensatory charge (SCC) on certain imported goods intended for local consumption, the proceeds to be paid to the General Compensation Fund.

The proceeds of the SCC will enable the Fund to stabilize prices of essential and major consumer goods, such as cereals, oil, fertilizers, meat, fuels (for agricultural and industrial use), coffee, etc., in order to maintain their retail prices at reasonable levels and safeguard consumer purchasing power.

On the other hand, the SCC will make it possible to reduce the Fund deficit, which has resulted from a substantial contribution to eliminating the inflationary effects of world prices on imported staple goods.

The SCC affects, in the first instance, luxury and less-essential goods. Capital goods and most raw materials, foodstuffs, pharmaceutical products, motor vehicles of less than 6 HP, educational, cultural, or welfare articles and products intended for the tourist industry are not affected by the SCC.

Although the rates of the charge range between 5 per cent and 300 per cent of the c.i.f. import price, their incidence on retail prices for the products concerned is in fact only 2 per cent to 80 per cent.

In no case can the SCC be considered as a discriminatory measure since it is applied uniformly to all the products concerned, whatever their origin or country of consignment.

Furthermore, it is still too early to make any pronouncement as to the restrictive or neutral character of this charge in relation to the volume of imports. Its impact cannot be determined definitively before 1980.

Moreover, even if the SCC were to slow down import growth for the products concerned, that effect would probably be fairly limited, on the one hand because of the low rate of the SCC on less-essential goods and on the other hand because of the relative inelasticity of demand for luxury products purchased by high-income consumers whose behaviour does not always correspond to strict economic logic.

Notwithstanding the possible impact of this charge, Tunisia's chronic trade deficit (which in 1978 reached D 431.3 million) has been aggravated by increasingly severe international inflation, so that the Tunisian economic authorities have been obliged to make increased efforts to contain imports of certain non-essential products and to supervise very closely the import trend for those products.

Nevertheless, Tunisia remains convinced of the value of developing trade with its partners and of the absolute need to promote international trade in a framework free of all restrictions and all protectionist practices. It will spare no effort to contribute, to the extent of its possibilities, to attainment of those two objectives.

VI. EFFECTS OF THE IMPORT RESTRICTIONS ON TRADE

1. Trade balance

Since 1970, Tunisia's trade balance has developed as follows:

(a) Volume of trade (see table 1)

The volume of Tunisia's trade increased considerably over the period 1970/1978, from D 256.2 million in 1970 to D 1,368.2 million in 1978 representing an average annual growth rate of approximately 25 per cent.

On the other hand, the trade deficit not only continued but worsened considerably over the same period, increasing from D 64.6 million in 1970 to D 431.3 million in 1978 (at current prices). Taking this trend into account, the average rate of coverage for the entire period was 55.8 per cent as against 64 per cent in the period up to 1970.

(b) Imports (see table 2)

Tunisia's imports increased substantially between 1970 and 1978, reflecting the outward-looking policy adopted by Tunisia.

They rose five-fold from D 160.4 million in 1970 to D 899.7 million in 1978.

There have also been marked changes in the composition of imports, in keeping with the industrialization effort undertaken by Tunisia. Imports of capital goods increased considerably, from D 38.6 million in 1970 (24.1 per cent of total imports) to D 282 million in 1978 (32.5 per cent of our aggregate imports).

In terms of value, imports of raw materials and semi-finished products increased still more (by approximately 425 per cent over the period 1970/1978). These imports increased from D 57.6 million in 1970 to D 244.8 million in 1978, representing respectively 36 per cent and 27.2 per cent of our total imports.

The predominant rôle of these two import headings which together account for nearly 60 per cent, reflects the investment effort that Tunisia has undertaken.

(c) Exports (see table 3)

The growth of our exports in the period under reference was due on the one hand to higher prices for Tunisia's principal export products and on the other hand to the results of the export incentive policy introduced in the context of an overall policy designed to establish a general environment conducive to exports.

Exports increased nearly five-fold in value, from D 95.8 million in 1970 to D 468.4 million in 1978.

Although Tunisia's exports are still dominated by sales of petroleum, phosphates and phosphate products and olive oil, which together accounted for 53 per cent of our total exports in 1978, some export diversification has been achieved in recent years with continuing growth of the share of manufactures in our trade with the rest of the world.

Thus, exports of finished products increased very considerably during the period under reference, from D 3.4 million in 1970 to D 120 million in 1978 when they accounted for 25.5 per cent of our total exports.

VII. GENERAL POLICY IN THE USE OF RESTRICTIONS FOR BALANCE-OF-PAYMENTS REASONS

1. Balance-of-payments position

After three years in deficit, Tunisia's balance of payments showed a surplus of D 11.5 million in 1978 as against a deficit of D 30 million in 1977 (see table below).

General Balance of Payments

(in thousand dinars)

Heading	Income		Expenditure		Balance	
	1977	1978	1977	1978	1977	1978
1. Balance on current account	674,392	796,085	921,711	1,004,137	-247,319	-208,052
2. Balance on capital account	391,694	457,963	166,578	235,734	+225,116	+222,229
3. Adjustment transactions	917	-	8,798	2,634	-7,881	-2,634
TOTAL	1,067,003	1,254,048	1,097,087	1,242,505	-30,084	+11,543

The contraction in the deficit on current account, resulting from a substantial improvement in the surplus on services and unilateral transfers, was the underlying cause of the reversal in Tunisia's foreign payments position. The balance on capital account, which is the customary source of financing for the deficit on current account declined slightly in 1978 after a substantial increase over several years.

(a) Current transactions

The chronic foreign trade deficit increased in 1978, despite a higher growth rate for exports than for imports. As indicated above, this deficit reached D 431 million.

This deficit was largely offset by the surplus on "services" and "transfer of income" which has been increasing for several years.

Substantial increases were recorded under the sub-headings "tourism" and "labour earnings".

Receipts from tourism grew by 23 per cent in 1978, reaching D 167 million as against D 135 million in 1977. Labour earnings in 1978 showed a growth rate higher than in recent years, of the order of 27 per cent as against 18 per cent in 1977.

In general, the deficit on current payments fell back considerably in 1978 from the preceding year's level (D 208 million as against D 247 million).

(b) Capital transactions

Capital expenditure increased substantially in 1978, resulting in a decline in the positive balance of external capital movements. While receipts increased at the rate of 17 per cent, reaching D 458 million, expenditure rose by 42 per cent to D 236 million because of substantial outflows of short-term capital.

b.1 Medium- and long-term capital

For the second consecutive year, there was an appreciable decline in the surpluses on direct investment and public credits intended for the public and private sectors. Nevertheless this trend was largely offset by inflow of private capital.

Indeed, because of the continuing decline since 1976 in public loans, the private and public sectors have had increasing recourse to private foreign capital and this trend expanded further in 1978.

b.2 Short-term capital

The positive balance in short-term capital movements recorded in 1977 was followed in 1978 by a net outflow of capital. This reversed situation is attributable to the system of relay credits. Capital outflow under this mechanism reached D 62 million in 1978, of which D 22 million represented consolidation of these short-term credits as medium- and long-term credits.

Short-Term Capital

(in thousand dinars)

Heading	Income		Expenditure		Balance	
	1977	1978	1977	1978	1977	1978
Commercial lending	14,410	16,465	25,844	32,166	-11,434	-15,701
Commercial borrowing	62,419	72,329	49,638	58,500	+12,781	+13,829
Relay credits	41,471	46,337	28,445	62,081	+13,026	-15,744
Total	118,300	135,131	103,927	152,747	+14,373	-17,616

The two other short-term capital items (commercial lending and borrowing) increased their respective balances. The commercial lending deficit rose from D 11 to 16 million while the surplus in respect of commercial borrowing increased slightly, from D 13 to 14 million.

(2) General policy

The present organization of Tunisia's foreign trade reflects the structural reform undertaken since the early 1970s and the need to adjust it to the country's economic development.

Industrial policy adjustment has resulted in substantially larger investments and hence a pronounced rise in capital goods imports.

For that reason, Tunisia has given particular attention to export promotion in the Fifth Plan, in order to overcome the trade deficit and thus lighten the burden on the balance of payments, in order to achieve the growth pattern target.

Accordingly, the foreign trade restructuring that has been undertaken reflects several concerns with which Tunisia is faced, including in particular:

- Balance-of-payments difficulties, and in particular the growing deficit on current transactions implying increasing recourse to foreign capital.

- Improvement of national savings by containing, inter alia, consumption of imported less-essential and luxury goods.

- Protection of newly created economic units so as to enable them to face international competition.

- Promotion of exports to remedy the increased trade deficit. Moreover, exports are the motive force for economic development. Tunisia's policy in this regard hinges on intensification and diversification of exports so as to balance and at the same time strengthen our trade with other countries.

- Rationalization of imports and regular market supplies of production inputs (equipment, raw materials, semi-finished products, etc.).

The trade policy pursued to this end has been sustained by liberalization of substantially all Tunisia's imports together with relaxation and simplification of foreign trade regulations and procedures.

Indeed, the liberalization measures introduced in 1971 can be said to cover practically three quarters of our imports from all currency areas.

Most products are imported without prior permit or under simplified and more flexible procedures so that most of them are covered by an automatic import permit.

Only a small proportion - approximately 15 to 20 per cent of Tunisia's imports - are still subject to more selective administrative control. This is the case in particular for imports of less-essential or luxury consumer goods (non-essential products).

Tunisia is resolved to pursue the process of relaxing and adjusting the remaining import restrictions to the extent of its economic possibilities and taking due account of its development needs.

Table 1

TUNISIA'S WORLD TRADE

Value: D'000

Year	Imports	Exports	Balance	Percentage of cover
1970	160 396	95 804	-64 592	59.7
1971	179 958	113 304	-66 654	62.9
1972	222 219	150 327	-71 892	67.6
1973	265 947	168 635	-97 312	63.5
1974	488 658	397 695	-90 963	81.3
1975	572 815	340 580	-232 235	59.4
1976	656 718	338 000	-318 456	51.5
1977	757 900	390 074	-367 826	51.4
1978	899 730	468 417	-431 313	52.0

Table 2

TUNISIA'S WORLD TRADE BY COMMODITY GROUP

IMPORTS

Value: D '000

Commodity group	1970	1971	1972	1973	1974	1975	1976	1977	1978
Food	38 965	37 367	41 913	48 011	89 942	90 473	80 962	94 508	105 547
Energy	6 664	6 920	15 200	18 228	56 872	56 026	73 302	65 386	94 168
Other products of animal or vegetable origin	13 555	13 541	13 785	20 574	37 439	30 295	33 440	41 683	41 736
Other products of mineral origin	3 653	3 257	3 366	1 893	15 556	10 254	14 162	13 883	12 283
Other semi-finished products	37 663	40 740	49 216	61 085	113 359	124 948	141 634	181 225	190 793
Total RM and SFP									
For agricultural equipment	3 191	4 302	5 192	6 455	8 447	11 582	10 530	10 371	10 518
For industrial equipment and other collective activities	35 451	48 585	60 654	73 586	103 966	161 241	199 026	216 148	271 511
For consumer goods	21 254	25 246	32 893	36 115	63 077	87 690	103 938	134 696	173 173

Table 3

TUNISIA'S WORLD TRADE BY COMMODITY GROUP

EXPORTS

Commodity group	1970	1971	1972	1973	1974	1975	1976	1977	1978
Food	25 398	37 485	61 925	52 740	94 402	63 444	65 399	56 467	71 469
Energy	25 994	31 424	40 703	53 632	142 741	150 602	143 215	166 364	180 267
Other products of animal or vegetable origin	7 731	6 827	7 212	7 017	11 013	7 791	7 784	10 814	11 364
Other products of mineral origin	14 934	16 853	15 595	15 646	53 240	51 527	30 149	24 259	21 214
Other semi-finished products	18 329	15 716	17 912	30 713	71 216	40 165	42 880	52 583	64 051
Total RM and SFP									
For agricultural equipment	E	1	157	10	3	6	2	7	9
For industrial equipment and other collective activities	487	579	688	762	1 932	2 860	4 114	4 845	12 611
Consumer goods	2 931	4 419	6 155	8 115	23 148	29 185	44 139	74 735	107 432