

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/R/36
28 November 1969

Limited Distribution

Committee on Balance-of-Payments Restrictions

REPORT ON THE CONSULTATION WITH TUNISIA

1. In accordance with its terms of reference the Committee has conducted a consultation with Tunisia under Article XVIII:12(b). The Committee noted that the previous consultation under the same provisions had been held in 1967 (cf. BOP/R/17 and BOP/74). In conducting the present consultation the Committee had before it a basic document transmitted by the Government of Tunisia (BOP/100), a decision of the Executive Board of the International Monetary Fund dated 17 October 1969 (Annex I) and a paper dated 29 September 1969 containing background material supplied by the Fund.
2. The Committee generally followed the plan for such consultations recommended by the CONTRACTING PARTIES (BISD, Seventh Supplement, pages 97-98). The consultation took place on 12 November 1969. The present report summarizes the main points of discussion.

Consultation with the International Monetary Fund

3. Pursuant to the provisions of Article XV of the General Agreement, the International Monetary Fund had been invited to consult with the CONTRACTING PARTIES in connexion with this consultation with Tunisia. In accordance with the agreed procedures the representative of the Fund was invited to make a statement supplementing the Fund's documentation concerning the position of Tunisia. The statement made was as follows:

"The Fund invites the attention of the CONTRACTING PARTIES to the Executive Board decision of 17 October 1969 taken at the conclusion of its most recent Article XIV consultation with Tunisia, and particularly to paragraphs 5 and 6 which read as follows:

15. Tunisia's balance of payments showed a surplus in 1968 for the first time since 1959. The Fund hopes that this improvement can be maintained, in particular through the continued promotion of exports and tourism. The Fund notes the association agreement between Tunisia and the European Economic Community and hopes that this will lead to additional liberalization of Tunisia's external trade. Maintenance of control over short - and medium - term borrowing should improve further the structure of Tunisia's foreign debt.

16. Tunisia's system of controls on trade and payments remains restrictive. The Fund notes with satisfaction the authorities' intention to terminate the bilateral payments agreement with Yugoslavia at the end of 1969 and to terminate all other payments agreements by the end of 1972. The Fund hopes that the Tunisian authorities will be able to make further progress in the simplification of exchange and trade controls and to proceed toward a gradual liberalization of payments for current transactions.'

"The general level of restrictions of Tunisia which are under reference does not go beyond the extent necessary to achieve a reasonable rate of increase in its monetary reserves."

Opening statement of the representative of Tunisia

4. The representative of Tunisia opened the discussion with a statement, the full text of which is reproduced in Annex II, and in which he recalled that Tunisia had, since its independence, sought expansion through economic and social development. He retraced the basic objectives set for the successive development plans, the nature and magnitudes of the targets set and their implication for foreign trade and commercial policy. The Three-Year Plan for 1962-64 had been of a preliminary nature mainly aimed at preparing the economy for investment and expansion through structural reform. The first Four-Year Plan (1965-68) had aimed at consolidating those objectives while making a start in industrialization. The magnitude of investments under that Plan and the shortfall in anticipated capital inflow had exerted considerable pressure on the foreign exchange resources of the country. As this situation was expected to continue during the second Four-Year Plan period of 1969-72, the specific trade aims formulated for the first Four-Year Plan had remained valid, viz: to take account of the balance-of-payments difficulties arising from the chronic trade deficit; to protect infant industries; and to reduce consumption of certain imported products in order to raise domestic savings and to husband foreign currency resources for essential imports. These were the principles governing the use of commercial policy measures such as import prohibition and quota restrictions. The second Four-Year Plan also included as one of its principal objectives, the increase of export earnings and a reduction of the trade deficit. The foreign exchange budget introduced in 1968 had provided for the rationalization of the administration of import controls. Import prohibitions were being reviewed with a view to limiting their application to areas where there existed real threats to industrial development. While these restrictions would thus seem to be of a temporary nature and were likely to be removed as and when domestic industries attained maturity, quantitative import restrictions were likely to continue so long as the trade and payments deficit persisted.

Balance-of-payments position and the prospects

5. Members of the Committee expressed sympathy for the difficulties the Tunisian authorities now encountered following the recent disastrous floods. General concern was expressed at the damage, as yet not fully assessed, done to the

Tunisian economy and the effects it would have on the country's economic growth and balance of payments. The disaster was likely to have accentuated the difficulties which Tunisia, as a developing country, would normally have faced. In response to these expressions of sympathy and in reply to questions concerning the extent of the damage caused by the floods the representative of Tunisia stated that the situation was considered to be serious, particularly having regard to the vulnerability of the Tunisian economy. His Government was relying on special efforts and on outside help to limit the consequences of the damage. It was to be hoped that any decline in exports that might be caused by the disruption of the rail transport system in the flooded areas would not be too extensive.

6. Members of the Committee expressed satisfaction over the gradual improvement of Tunisia's balance of payments and expressed the hope that the advances registered would continue. Some members of the Committee noted that in 1968 Tunisia had obtained a surplus of D 8.9 million in its overall balance of payments, and commended Tunisia on this remarkable achievement in view of the recurring deficits in the preceding years. This improvement seemed to have derived mainly from the substantial reduction in the current account deficit reflecting mainly a lower level of imports and increased earnings from tourism. On the other hand, the reduction in the trade deficit had been accompanied by a decline in net capital inflow. The Tunisian representative was asked to comment on the causes of the last-mentioned phenomenon and on the factors behind the movements in the various sectors of the balance of payments in 1968, and the prospects for capital inflow and surpluses in the coming years.

7. In reply the representative of Tunisia said that the substantial reduction in the trade deficit in 1968 had been partly due to an increase in exports but mainly to a sizable reduction in imports. This reduction in imports had been achieved through a lowering of level of food purchases, made possible by improved agricultural production and a curtailment of spending on consumer goods as well as lower intakes of petroleum, raw materials and semi-manufactures. In addition there had been a retrenchment of capital investment, in continuation of the stabilization programme adopted in 1966 when large development outlays, inadequately covered by domestic savings and foreign assistance, had led to a considerable monetary expansion. The increase in exports was attributable to larger shipments of phosphates, petroleum and certain other products such as lead and steel. In the invisibles sector the deficit in services and private transfers had fallen significantly while income from tourism had greatly risen. These favourable changes were, however, partly counterbalanced by a rise in interest payments. On capital account, foreign aid disbursement had declined by more than 16 per cent. These changes, in combination, had resulted in the turning of the overall deficit into a surplus in 1968, despite a decline in the net inflow of aid funds and private capital as well as official loans.

8. In reply to questions on the balance-of-payments prospects for 1969 and on the possible impact of the floods on the payments situation, the representative of Tunisia said that the estimates arrived at in September had shown a surplus of D 6 million for the year, but the figures might need to be revised in order to take account of the possible damage caused by the natural disaster. Inasmuch as the floods could have the effect of hampering export shipments of such products as phosphates, iron ore and pig iron, the overall balance-of-payments surplus could conceivably be brought down to D 4 million. Estimates set the surplus at D 11 million for 1970 and at D 8 million for 1971. However, these figures might have to be revised downward for the reasons quoted above and should the unfavourable weather conditions continue agricultural production could suffer serious setbacks and there was no assurance that the balance of payments might not be worsened to an extent beyond what was at the present expected.

9. In discussing the expected level of capital inflow in 1969 and 1970 the representative of Tunisia stated that private capital inflow would show a decline in 1969, but official capital inflow would rise substantially. In the view of the Tunisian authorities net inflow in 1970 would be about 5 per cent higher than the 1968 level.

10. Members of the Committee enquired whether in the view of the Tunisian authorities the recent devaluation of the French franc would have any adverse effects on Tunisia's trade and payments. In posing this question the members concerned pointed out that they had found it difficult to formulate an opinion on account of the numerous factors involved such as: (a) the fact that the Maghreb countries as well as certain other Mediterranean countries having similar export resources and mainly exporting to the French market had not devalued their currencies after the French devaluation so as to gain relative competitive advantage; (b) the unpredictable future behaviour of prices in the various countries involved; and (c) the opening up of the alternative market in the Federal Republic of Germany as a result of the revaluation of the deutschmark, etc. The view expressed in response by the Tunisian representative, which was supported by the representative of France, was that, having regard to the exchange stability of the competing exporting countries mentioned above the effects of the French devaluation on Tunisian trade and payments was expected to be negligible. The representative of Tunisia further explained that devaluation of the Tunisian dinar had been ruled out as this would lead to a rise in the cost of living in the country while the principal preoccupation of the Government was at present the stabilization of wages and prices.

Alternative measures to restore equilibrium

11. A member of the Committee recalled that at the time of the 1967 consultation with Tunisia the country's balance-of-payments difficulties had been attributed in a large measure to the gearing of the development plan to a level of investment just covered by domestic savings and foreign aid receipts; that the

rate of investment expenditure was reduced in 1968; and that there was an increase in the savings of the public and semi-public enterprises which surpassed the fall in administration savings. It was understood that in the 1969-72 Plan, a rise in fixed investment, both in absolute terms and as a proportion of the gross domestic product, was envisaged. Another Committee member understood the situation of 1968 to be that a relatively stabilized level of investment expenditure had been financed only to the extent of 35 per cent by foreign capital and that the remaining 65 per cent was met by domestic savings. The Tunisian delegation was invited to comment on the current situation, especially whether there had been any significant changes in the proportions of the domestic and foreign elements of the investment resources and whether, in case a high level of domestic savings continued to be regarded as essential to the implementation of the development plan, any measures had been taken or contemplated to stimulate savings. The representative of Tunisia explained that for the Second Four-Year Plan period as a whole (1969-1972) capital investment was set at D 617 million, of which D 403 million was to be financed through domestic savings and the remainder to be met by foreign capital in the form of aid and public and private investment. A comparison of the levels of savings under the First and Second Four-Year Plans showed increases in savings as follows:

- Administration: D 66 million and D 104 million in the two periods respectively
- Enterprises: D 160 million and D 263 million respectively
- Households: D 29.5 million and D 30 million in the two periods respectively.

The increase in savings in the public sector were to be obtained through austerity, and that in the enterprises had been made possible by improvements in management and efficiency. Measures to encourage savings included increases in interest rates on special savings accounts, the introduction of "tied" savings schemes linked to housing projects as well as a number of fiscal exemptions concerning reinvested revenues. It was too early to assess whether and to what extent domestic savings would be affected by the change in the economic climate following the recent floods.

12. In reply to a question on the possible impact of the recent modifications in the agricultural production programme, the representative of Tunisia said that recent decisions taken with regard to agricultural production took more fully into account the capital and manpower resources of the country. He recalled the policy adopted in 1965 that the private sector, the co-operative sector and the public sector should be given equality of treatment.

13. In reply to a question on measures taken to encourage diversification of exports, the representative of Tunisia said that the Second Development Plan aimed at achieving a higher level of processing of raw materials, such as super-phosphates and enriched phosphates and also at training personnel to manage industrial production on an increasingly international competitive basis in order to make Tunisian industrial products exportable.

System and methods of restriction

14. In discussing the system and methods of restriction in Tunisia the Committee took note of the basic document submitted by the Tunisian authorities (BOP/100) which contained a description of the present situation including recent changes in the system, chiefly in the direction of simplification of documentary requirements and procedures. Members of the Committee welcomed this development and, in commenting on the remaining complexities of the system, encouraged the Tunisian Government to liberalize trade restrictions and regulations as rapidly as economic conditions permit. They noted that the restrictions were applied not only to safeguard balance of payments, but also to provide protection for domestic industries and that the incidence of the restrictions would seem to be particularly heavy on consumer goods.

15. It was noted from the documents before the Committee that where imports from countries in the French franc zone required only an "avis technique", imports from other sources required both this avis and an import licence. Imports were divided into as many as four categories comprising: the so-called prohibitive imports which could be imported under discretionary licence, imports under global quotas, imports under bilateral quotas, and liberalized imports which nevertheless require a licence when imported from countries outside the French franc zone.

16. A member of the Committee referred to the economic co-operation arrangement among the Maghreb countries and suggested that, having regard to the similarity in economic structure between Tunisia and Morocco, Tunisia might find it sufficient for its purposes to adopt the kind of simple import control system being used in Morocco. The Tunisian representative was also invited to comment on why a licence continued to be required for the so-called liberalized imports, whether there were circumstances in which licences for a liberalized item might be delayed or withheld. The representative of Tunisia replied that the prior approval procedure and licensing requirement applying to liberalized imports had been maintained principally for the purpose of facilitating exchange control and there had been no occasion on which a licence for a liberalized item had been withheld or deliberately delayed, nor was it envisaged that the automatic licensing procedure might be suspended except perhaps in circumstances in which severe balance-of-payments problems should entail a general revision of the import policy.

17. In reply to a question on what purpose was to be served by the continued distinction between franc zone and non-franc zone countries, having regard to the fact that the French franc was fully convertible for trade payments, the representative of Tunisia explained that the distinction between the franc zone and non-franc zone imports would become insignificant in the administration of the import controls and the regulations as a consequence of the recent changes announced in a Notice to Importers (No.106) appearing in the Journal Officiel of the Republic of Tunisia dated 28 October 1969; from now on there would be a single, standardized document valid for imports from countries in both areas. This new import liberalization had thus placed countries previously belonging to the two categories on the same footing. Under the new system the only significant distinction between countries for licensing purposes was the one between convertible currency countries and those countries with which Tunisia's trade was governed by trade and payments agreements providing for clearing.

18. It was observed by a member of the Committee that the recent tendency seemed to be for Tunisia increasingly to rely on non-tariff barriers to limit the volume of certain imports, which seemed to indicate a belief that tariff protection was insufficiently effective in protecting domestic industries. On the other hand it was understood that Tunisia intended to introduce a new customs tariff in early 1970 which would incorporate the protective elements required for industrial development. The Tunisian delegation was invited to indicate whether there were specific plans for the removal of the existing import restrictions when the new tariff came into force and whether any liberalization measures were contemplated for implementation in advance of the coming into force of the new tariff.

19. The Tunisian representative stated that, as had been indicated in his opening statement, the quantitative restrictions on imports had always been regarded as a temporary and transitional measure, pending the provision of adequate protection to domestic industries through the customs tariff. There could be no doubt that the introduction of the new tariff would pave the way for the removal of certain import restrictions especially as and when the local industries in question gained competitive strength. A minor but significant step that the Tunisian authorities had recently taken to facilitate imports had been the introduction of a system under which qualified importers were supplied with a "carte d'importation" entitling them to import up to an amount of D 500 of any products on a special list from both zones without individual authorization. The D 500 quota was renewable under certain conditions.

20. In answer to questions the representative of Tunisia confirmed the information that Tunisia at present maintained bilateral trade and payments agreements with ten countries and stated that the trade covered by such arrangements amounted to 20 per cent of Tunisian total exports and to about 11 per cent of its imports in 1968. In discussing the value and necessity of the bilateral agreements a member of the Committee expressed the view that the use of such agreements was indeed justifiable on the grounds that they enabled Tunisia to market large quantities of commodities for which markets had not been readily available otherwise, but that in the long run they might also be considered to have the undesirable effect of helping to perpetuate inefficient utilization of the country's resources. The Tunisian Government might therefore wish to give particular attention to the possibilities of developing markets for these products in other countries and of terminating or phasing out the bilateral agreements. The Tunisian Government had indicated an intention of terminating the existing agreements in the near future as recommended by the International Monetary Fund.

21. In reply to questions the representative of Tunisia stated that it was true that in recent years Tunisia, faced with marketing problems in its traditional exports, had accrued sizable credit balances with its bilateral trade partners,

notably in the East European region. In order to make use of the accumulated non-convertible funds one might be lead to believe that Tunisia would import more from these countries, mainly raw materials and semi-manufactures. However it would be untrue to say that imports from those countries would be deliberately raised without regard to commercial considerations. In fact purchases would not be made merely for the purpose of reducing credit balances, but would have to take into account the needs in the country and the relative prices and qualities. In response to a specific question the Tunisian representative said that it was unlikely that as a rule licences for imports from convertible currency countries were issued less freely than for imports from bilateral agreement countries. Licences for imports from the former were in general issued within the limits of global quotas which were shared by a large number of countries and licences for imports from bilateral countries depended, inter alia, on the bilateral credit position. Consequently there might be occasions on which imports of a particular product from non-convertible areas were restricted, while a consignment was permitted from a bilateral country. This should not be taken as an indication of any intention to discriminate between the two categories of countries.

22. A member of the Committee noted that a number of commodities, notably tobacco, matches, playing cards, coffee and sugar, were imported into Tunisia through State or semi-State agencies having a monopoly or near monopoly in particular commodities and that certain other products could be imported only through importers' associations. The Tunisian delegation was requested to inform the Committee of the reasons for which the products had been chosen for this treatment, the criteria used in planning and effecting purchases by these organizations and the present coverage of this system in terms of the number of products involved and the size of trade affected in relation to the total imports of the country. The Tunisian representative stated that apart from the few products such as tobacco and matches which were normally subject to State monopoly for revenue purposes in most countries, the products for which a certain measure of "organization of market" had been introduced in Tunisia comprised mainly commodities of which very large imports were regularly required to meet general demand. Most of the organizations authorized to effect such imports were not State monopolies in the normal sense of the term, but voluntary association of traders interested in grouping their purchases for reasons of economy and convenience. The criteria used in making purchases by these bodies consisted of the normal commercial consideration of price and quality, as might be witnessed by the substantial fluctuations in the quantities of imports of these products from the different sources of supply. About 25 per cent of Tunisia's total imports were made under such procedures, and only a fraction of this could be said to be subject to genuine State trading.

23. In the course of the discussion, a number of questions were raised concerning Tunisia's import control measures as affected by its association agreement with the EEC. It was agreed that such questions could be more

conveniently dealt with during and in the context of the forthcoming discussion at the working party on Association EEC/Tunisia/Morocco.

Conclusions

24. Members of the Committee expressed the hope that any damaging effects that the recent natural inflictions might have had on the balance of payments would be of a transient character and would not significantly alter the general trend of rising surpluses in the balance of payments. They hoped that Tunisia would persist in and accelerate the process of liberalization and simplification of the control system, and that a major step in dispensing with protective restrictions would be taken if and when the new customs tariff became effective in early 1970. The termination of the remaining bilateral agreements which the Tunisian Government had intended to accomplish by 1972 would undoubtedly contribute to a more rational and efficient utilization of the country's resources in the long run.

25. The Tunisian delegation expressed appreciation for the sympathy and understanding expressed by members of the Committee and said that the competent authorities would give careful consideration to the views put forward by the members of the Committee during this discussion.

ANNEX I

INTERNATIONAL MONETARY FUND EXECUTIVE BOARD DECISION
TAKEN AT THE CONCLUSION OF THE FUND'S CONSULTATION
WITH TUNISIA ON 17 OCTOBER 1969

1. This decision is taken by the Executive Board in concluding the 1969 consultation with Tunisia pursuant to Article XIV, Section 4 of the Articles of Agreement.
2. Agricultural production recovered in 1968 following two successive years in which it was adversely affected by drought; GDP grew by 8.5 per cent in real terms and is expected to continue expanding in 1969. The 1969-72 Development Plan, which calls for an increase in GDP of 6.5 per cent per annum in a climate of internal and external stability, includes as an objective the consolidation and extension of structural reforms in the agricultural, commercial and industrial sectors.
3. Tunisia's fiscal performance is expected to improve in 1969 following a shortfall of current revenue in 1968. Although revisions in the tax system are being considered in order to improve tax collection, a substantial increase in the tax burden cannot be anticipated in the near future. The reforms that have been undertaken so far in the field of public expenditures control have shown encouraging results. However, the rate of growth of current expenditures will have to be strictly limited if the amount of public savings called for by the Plan is to be generated.
4. The monetary authorities have been successful during 1968 and early 1969 in keeping credit expansion from exerting undue pressure on the economy. A policy of monetary restraint continues to be required, especially in view of the increased financial needs of the agricultural sector.
5. Tunisia's balance of payments showed a surplus in 1968 for the first time since 1959. The Fund hopes that this improvement can be maintained, in particular through the continued promotion of exports and tourism. The Fund notes the association agreement between Tunisia and the European Economic Community and hopes that this will lead to additional liberalization of Tunisia's external trade. Maintenance of control over short- and medium-term borrowing should improve further the structure of Tunisia's foreign debt.
6. Tunisia's system of controls on trade and payments remains restrictive. The Fund notes with satisfaction the authorities' intention to terminate the bilateral payments agreement with Yugoslavia at the end of 1969 and to terminate all other payments agreements by the end of 1972. The Fund hopes that the Tunisian authorities will be able to make further progress in the simplification of exchange and trade controls and to proceed toward a gradual liberalization of payments for current transactions.

ANNEX II

OPENING STATEMENT BY THE REPRESENTATIVE OF TUNISIA

In pursuance of the provisions of Article XVIII:12(b) of the General Agreement, the CONTRACTING PARTIES hold consultations every two years with countries applying import restrictions.

Being anxious to abide by the rules set forth in the General Agreement, Tunisia attaches great importance to these consultations in which it took part in 1965 and 1967, and in which it has the honour to take part once again.

To this end, the Tunisian Government has presented to the CONTRACTING PARTIES a memorandum which shows the efforts made to maintain the rate of economic expansion of the country at a satisfactory rate (6 per cent) without, however, neglecting the foreign payments difficulties resulting from such expansion.

In order to facilitate the discussion of this memorandum, the Tunisian delegation has the honour to recall that immediately after attaining independence Tunisia chose the difficult path of planned economic and social development.

As early as 1962, ten-year forecasts were drawn up, laying down a general framework within which the economy is to develop, and constituting a coherent set of overall and sectorial plans based on certain qualitative and quantitative objectives.

The first stage towards attaining these objectives was the implementation of a three-year preliminary plan (1962-1964) the main aim of which was to reform the structures of the Tunisian economy in order to prepare them for an expansion effort and to prepare the ground for productive investments which were planned for the second stage, that is to say the period 1965 to 1968.

As stated by the Tunisian delegation in 1965, the action undertaken during the Three-year Plan tended towards three objectives.

- Firstly, decolonization which, at domestic level, consists of "Tunisifying" the foreign sector and, at external level of reducing dependence on any particular trading partner.

- The second objective was to introduce a set of structural reforms designed to adapt the national economy to the planning effort and to facilitate harmonious and accelerated development.

- Lastly, the third objective was to record the reactions of the Tunisian economy to the various structural reforms implemented and, at the same time, to prepare the studies necessary for the second Tunisian Three-year Plan.

The second stage covered by the First Four-year Plan was devoted to pursuing consolidating these objectives while at the same time making a particular effort towards industrialization and human promotion.

Investments totalling D 512 million (i.e. \$1,000 million) were necessary for carrying out this First Four-year Plan and about one half of this sum had to be drawn from outside sources.

Therefore, relying first and foremost on itself, Tunisia had to make a considerable effort to meet its own needs and, at the same time, to finance the programmes provided for in the First Four-year Plan.

The magnitude of investments under the Four-year Plan and the mobilization of domestic resources to replace that part of foreign capital which was forecast but not effectively forthcoming, exerted considerable pressure on the trade balance, foreign exchange reserves and, more generally, on the balance of payments.

This situation is likely to continue into the Second Four-year Plan which provides for investment of D 617 million, equivalent to 23 per cent of the gross domestic product. Thirty-eight per cent of this sum will be sought from foreign aid sources.

These considerations will explain the following specific aims of our foreign trade.

- To take account of balance-of-payments difficulties inherent in the chronic trade deficit.

- To protect infant economic sectors.

- To reduce consumption of certain imported products in order to encourage domestic saving and also in order to redirect subsequent foreign currency expenditure towards the purchase of goods which are more urgent for the Tunisian economy.

These are the three principles taken into consideration whenever the Tunisian Government has introduced prohibitions or quantitative restrictions on imports of any given product.

The same principles were adopted for the Four-Year Plan (1964-1968) during the span of which nearly all current industrial achievements were attained.

In order to make provision for this investment effort in the industrial and social sectors, the Tunisian Government has drawn heavily on the country's foreign exchange reserves and has availed itself of bilateral foreign aid, the volume of which, in consultation with the international financial institutions, has been kept within limits compatible with the country's domestic and external resources.

Furthermore, under the Second Four-Year Plan, 1969-1972, provision has been made for an average export growth rate of 9 per cent per annum while the rate of growth of imports has been held down to 5 per cent per annum in order progressively to reduce this chronic trade deficit and to cover part of this deficit by surplus receipts from current transactions other than commercial.

For the four coming years the principal objectives of the Second Four-Year Plan are to increase export earnings and reduce the trade deficit.

Nevertheless, this specific objective in the foreign trade sector will be attained only to the extent that:

- the import rationalization process continues through a selective policy so as to accord priority to essential sectors.

This policy of rationalizing imports is motivated by the weakness of Tunisia's foreign exchange resources as well as by the concern of the Tunisian Government to protect its infant industries; both these reasons are permitted under the General Agreement.

- The second means resorted to in order to absorb the trade deficit is better utilization of the foreign exchange allocations made available to importers.

Until recent years imports were carried out by about 12,000 operators who, of course, engaged in a relatively small volume of business and not always on the best price terms.

With respect to products representing a substantial amount of trade and in order to obtain the best possible conditions, there has not been a grouping of traders but rather a grouping of purchases, and in some cases centralization of purchases.

Last the third means, and also the one considered the most important, is export promotion.

Import prohibitions are being reviewed again with a view to maintaining only measures likely to ward off any threat to a given sector or to infant industries; in other words such measures will be temporary and will be lifted entirely or partially when it is considered that the sector concerned is in a position to face fair competition from products.

It should be stated, however, that despite this partial liberalization of its foreign trade, Tunisia will continue to resort to import restrictions so long as its trade deficit has not been absorbed.

Lastly and in a general way, the quantitative import restrictions will be based on the following principles:

- programming of imports in order to avoid balance-of-payments difficulties (and even improve the balance-of-payments situation). Under the Second Four-Year Plan the objective in this regard is to increase foreign exchange reserves by 31 million dinars over the four coming years. This objective will constitute one stage towards the reintroduction of convertibility.

It should be noted that this increase in foreign exchange reserves will essentially be attained by stepping up exports and reducing external indebtedness.

- protection of infant economic sectors
- maintenance of the system of limited imports of consumer goods
- adaptation of import procedures to the above-mentioned considerations
- easing of import procedures for products essential to the economy and current consumer goods.

Mr. Chairman, gentlemen, those are the guiding principles which the Tunisian Government is following with respect to import restrictions, and the reasons which justify the maintenance of these restrictive measures in coming years.

In conclusion, I should like on behalf of the Tunisian delegation to thank you for the kind attention which you have given us.