

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

BOP/W/123

20 September 1988

Limited Distribution

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Committee on Balance-of-Payments Restrictions

1988 CONSULTATION WITH TUNISIA  
(SIMPLIFIED PROCEDURES)

Background Paper by the Secretariat

1. This paper has been prepared in accordance with Paragraph 7 of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205) to assist the Committee on Balance-of-Payments Restrictions in taking the decision referred to in Paragraph 8 of the Declaration.

I. Tunisia's previous consultations

2. Tunisia acceded provisionally to GATT in November 1959 (BISD 8S/15). The Report of the Working Party on Tunisia's accession (L/6277) was presented to the Council in February 1988 (C/M/217). Tunisia's Protocol of Accession is open until 15 November 1988 (C/M/222). Four full consultations have been held with Tunisia in the Committee since its provisional accession. At the last full consultation, which took place on 5 November 1979, the Committee welcomed the trend towards a progressive relaxation of import restrictions. It noted the view of the IMF that the overall restrictiveness of the import régime did not go beyond what was necessary to prevent a decline in Tunisia's international reserves. The Committee also noted with satisfaction the Tunisian authorities' determination to continue relaxing the remaining restrictions and expressed the hope that positive developments in Tunisia's external financial position would enable the authorities to accelerate this process. Simplified consultations were subsequently held in November 1981 (BOP/R/121, December 1983 (BOP/R/137) and December 1985 (BOP/R7157).

II. Notifications by Tunisia and other relevant documentation

3. In the context of its accession to GATT Tunisia has regularly provided information on various aspects of its foreign trade régime. Relevant documentation includes the Memorandum on the foreign trade régime (L/5566 and Add.1); the questions submitted by contracting parties on the Tunisian trade régime and the replies of the Tunisian authorities thereto (L/6075/Add.1 and Spec(87)23); Foreign Trade and Currency Notice No.10 and amendments thereto (L/6075/Add.2 and Add.4); Notices to Importers and Exporters listing products liberalized for import as of February 1987 (L/6152) and as of 29 January 1988 (contained in NTM/W/6/Rev.4/Add.2).

III. Developments in Tunisia's trade régime

4. One foreign trade and currency document is used for all imports into Tunisia. Depending on the status of goods imported, it may be treated as an import certificate or an import licence. The only exceptions to these conditions are goods specified in Annex A to L/6075/Add.2 (generally covering non-commercial, humanitarian, diplomatic imports, as well as goods to be used by importers in connection with their own small-scale industrial, agricultural, handicraft or tourist activity, not to be marketed, up to a certain value per year per importer: and capital goods for approved industrial, agricultural or tourism projects).

5. Other imports (apart from those prohibited for health, sanitary or moral reasons) are classified either as "liberalized" or under licence. The most recent list of liberalized import products is contained in Tunisia's 1988 notification to the Technical Group on Quantitative Restrictions and Non-Tariff Measures (included in NTM/W/6/Rev.4/Add.2).

6. To import liberalized goods, an importer presents an import certificate and a commercial contract to an "approved intermediary" (an authorized bank) which, after verification that the goods are classed as liberalized, forwards the certificate to the Central Bank which releases the necessary foreign exchange. (Details are given in L/6075/Add.2 and Add.4.)

7. For goods imported under licence (all those not included in the notification contained in NTM/W/6/Rev.4/Add.2) application must be made through an "approved intermediary" to the Ministry of National Economy. Approved licences are sent daily to the Central Bank for endorsement and release of foreign exchange, and released together with the foreign exchange by the bank concerned to the importer. Import licences are valid for six months and may be extended at the discretion of the competent authorities.

8. The system has remained basically unchanged since Tunisia's last consultation. However, the list of "liberalized" goods has been enlarged. In addition, new simplified procedures allowing liberalized imports by manufacturing industries whose production is intended for export, industrial undertakings 15 per cent or more of whose turnover is accounted for by exports, businesses approved for manufacture of pharmaceuticals, and approved firms in the manufacturing, agriculture, tourist or medical sector, have been introduced, while temporary admission for goods for processing and re-export is also allowed. In their replies to the Accession questions, the Tunisian authorities stated that the liberalized régime was forecast to cover 47 per cent of imports in 1987.

9. Tunisia has stated, in the context of its accession, that it intends to justify its restrictions under Part IV of the General Agreement.

#### IV. Recent economic and trade developments

10. Since the 1960s, the principal framework for macroeconomic management in Tunisia has been a series of Development Plans, with the Seventh Plan 1987-1991 as the latest. The broad strategy of the authorities has been directed to reducing the character and degree to which the economy in general and the monetary, financial and trade régimes in particular, have been managed administratively. However, most prices, including wage rates and interest rates, investment, external trade, domestic credit and foreign exchange remain subject to varying degrees of control. As the economy's growth rate has declined, foreign exchange availabilities diminished and deficits widened in external payments, the need is being acknowledged for greater liberalization in the management and functioning of the economy.

11. Real gross domestic product increased at an annual average rate of just over 6 per cent between 1971 and 1981, spanning the Fourth and Fifth Development Plan periods. However, growth performance has been uneven in the 1980s, mainly reflecting variations in outputs and prices in the economy's leading sectors. Real GDP declined marginally by 0.2 per cent, in 1982, following lower agricultural and petroleum output and slower growth in tourism activity. Growth was sharply higher in 1983, by over 5 per cent, due largely to strong gains in manufacturing output (notably chemicals) and in the production of hydrocarbons and phosphates and derivatives. In 1984 and 1985, real GDP went up by around 5 per cent, marginally below the 1983 rate. Growth in the period 1986-88 has been uneven: real GDP contracted by 1.6 per cent in 1986, because of the effect of drought on agricultural output: in 1987 the economy expanded again by 5.8 per cent but overall performance in 1988 is again expected to be affected by drought and real GDP growth is projected to be less than 1 per cent. Developments on the demand side were dominated by fairly strong growth in public and private consumption, at an average annual rate of nearly 9 per cent and over 8 per cent, respectively, between 1981 and 1987.

12. Price developments since 1982 have shown a good deal of moderation. The consumer price index (on an average annual basis) rose by 13.6 per cent in 1982, 9 per cent in 1983, under 8 per cent in 1985 and under 7 per cent in 1987. It needs to be noted, however, that, in addition to specific macroeconomic policy initiatives taken by the authorities (including measures of administrative price control, large subsidies on "essential" goods and services and fairly rigid measures of salary and wage restraint), the anti-inflation policy benefited from declining rates of world inflation since 1984 and the depreciation from the end of the first quarter of 1985 in the value of the US dollar, both of which helped to contain growth in the domestic currency prices of imported goods.

13. With, among other things, the prospects for significant improvement in the country's terms of trade rather slender, and the outlook for increasing petroleum export volumes and for higher world oil prices hardly more promising, the ability of the economy to sustain overall growth in real GDP and achieve related objectives depends, among other things, on the

realisation of significantly higher domestic savings rates, more efficient allocation of domestic real and financial resources and more sustainable domestic monetary, financial and external equilibria.

14. Against the background of these developments, the broad macroeconomic framework set out in the Seventh Development Plan (1987-91) comprises various fiscal policy measures to reduce domestic credit expansion in real terms and dependence on external borrowing; measures to lower the rate of capital formation in view of constraints on domestic resource growth possibilities, measures to improve the extent and efficiency of resource utilization; and a comprehensive liberalization of economic policy and arrangements, including, notably, the relaxation or elimination of import controls, deregulation of a number of key prices, and more flexible management of interest and exchange rates. A key objective of the general liberalization effort is the determination to encourage private sector enterprise and investment, such as through a reduction in the scope and severity of investment controls and the strengthening of certain investment incentives. A series of other initiatives have been taken to strengthen institutions in the banking sector and to develop capital market facilities.

#### Foreign Trade

15. Although Tunisia's exports are relatively diversified, there are at least three broad categories of exports - energy products, phosphates and derivatives, and agricultural commodities - where volatile volume and price changes often critically affect overall export performance, export earnings and movements in the terms of trade. Export volume increased by about 12.5 per cent in 1986 and 3 per cent in 1987. The value of total exports in nominal dinars fell by about 3 per cent in 1986, largely following steep drops in both energy export volume and oil prices, but rose by 20.7 per cent in 1987. First quarter figures for 1988 indicate that growth in total dinar export value seems likely at least to be maintained.

16. Although the export volume index for crude petroleum (1980 = 100) fell by some 9 percentage points in 1987, that for another major product, phosphates, rose very sharply, by 47 percentage points from 199 in 1986 to 246 in 1987. Between 1982 and 1987 the terms of trade are estimated to have worsened by between 20 and 25 per cent.

17. Throughout the last five years import volumes and values have varied in response to a relatively small number of critical factors. Imports in all major categories - capital goods, raw materials and so-called non-essential consumer goods - have been subject to varying degrees of administrative control, and, in the case of food imports, for example, vary with the abundance and quality of domestic food output. In 1984, for instance, food imports valued in SDRs were down by nearly 30 per cent due largely to substantially good domestic cereals production. Imports of

capital goods have often been subjected to deliberate restraint, usually through administrative control, and efforts intensified to upgrade the quality of investment, such as through more selectivity in granting approvals for investment. Regarding imports of raw materials and semi-manufactures, the government's goal is a balance between the need to reduce import volumes and the imperative of raising capacity utilization rates in industry. Although restrictive import control measures have figured prominently in these contexts, significant moves have been made recently towards further liberalization.

18. Few major changes have occurred in the geographical distribution of Tunisia's foreign trade. Western Europe remains the principal export destination, and France, Italy and West Germany the largest markets; their shares have varied with changes in export volumes and prices of phosphates and derivatives, crude oil and textiles to a lesser extent. Outside Europe the United States share has fallen quite considerably, from over 20 per cent in 1983 to under 2 per cent in 1987. Western Europe as a whole, the EC mainly and France in particular remain the main sources of imports, but an increasing share of imports is being supplied by developing countries. In Africa, Algeria has supplied a sizeable portion of the import market, exporting important amounts of natural gas.

#### Balance of payments

19. Measured in US dollars, Tunisia's current account deficit remained relatively constant from 1982 through 1986, in the range of \$570 to \$770 million, or around 7 to 9½ per cent of GNP. Preliminary estimates for 1987 indicate a sharp reduction in the current account deficit, to just under \$100 million.

20. The trade deficit in absolute terms remained broadly stable between 1981 and 1984, declined by about 25 per cent in 1985, before rising again modestly in 1986. Although merchandise trade performance is inevitably a major element in the current account situation, other elements are no less crucial, including the balance on non-factor services, notably, tourism, and levels of net transfers - mainly workers' remittances and interest on external debt. As pressures on the balance of payments have intensified over the last five years, additional international reserves have had to be utilized in financing deficits. However, in absolute terms, the country's total reserves (excluding gold) were about as large in 1987 as they were in 1981. Despite intensifying pressures throughout this period on import levels, imports did rise noticeably. As levels of external debt outstanding and debt service ratios rise, pressures on payments can be expected to also rise, with possible adverse impacts on foreign trade.

TABLE 1 - Tunisia: Export Volume, Production  
and Price Indicators (1980 = 100)

	1981	1982	1983	1984	1985	1986	1987
<u>Export Volume</u>	98	97	89	89	80	90	93
of which:							
Crude Petroleum	108	81	85	90	85	87	78
Phosphates	100	84	102	144	168	199	246
Olive Oil	185	160	91	201	123	117	151
<u>Industrial Production</u>	103.7	102.6	111.3	112.1	120.6	125.4	127.0
of which:							
Crude Petroleum	95.9	91.8	98.2	97.3	96.8	93.2	88.8
<u>Export Prices (dinars)</u>	125	137	142	155	156	140	160

Sources: IMF, International Financial Statistics; National Statistics.

TABLE 2 - Tunisia: Destination and Origin of Trade  
(In per cent of total)

	1980	1983	1985	1987 <sup>1</sup>
<u>Exports</u>				
Developed countries	88.9	87.2	84.9	84.0
US	14.5	20.6	7.4	1.8
Western Europe	72.1	66.4	74.5	82.0
EC	86.6	63.4	71.6	77.1
Belgium-Luxembourg	3.0	3.3	4.2	6.4
France	15.4	24.3	26.6	21.4
Germany, Fed. Rep.	12.9	11.4	11.0	19.2
Italy	15.8	18.6	16.8	16.3
Developing countries	7.7	8.9	11.7	12.4
Africa	3.2	4.2	5.2	5.0
Algeria	1.9	1.1	3.3	3.0
Latin America	1.3	0.5	0.6	0.8
Middle East	1.3	2.1	2.0	2.8
South and East Asia	2.0	2.0	3.4	3.8
Eastern Trading Area	2.0	3.0	2.6	3.3
<u>Imports</u>				
Developed countries	81.6	88.9	81.2	79.5
US	5.8	9.3	5.8	5.7
Canada	1.7	1.5	1.9	2.0
Japan	1.2	2.3	1.8	0.8
Western Europe	72.8	75.9	71.4	70.6
EC	61.4	68.3	67.3	65.3
France	25.2	25.0	27.6	26.4
Germany, Fed. Rep.	9.5	11.5	12.1	12.2
Italy	15.8	11.5	12.7	11.0
Developing countries	14.1	6.9	12.9	15.9
Africa	2.1	2.5	8.5	6.0
Algeria	0.2	0.2	5.7	3.6
Latin America	1.8	2.3	1.9	1.6
Middle East	9.4	1.2	1.1	3.7
South and East Asia	0.8	1.0	1.0	4.6
Eastern Trading Area	4.0	3.9	5.8	4.5

<sup>1</sup>Provisional.

Sources: UN, Commodity Trade Statistics; National Statistics

TABLE 3 - TUNISIA: Commodity Pattern of Trade, 1986  
(Percentage share)

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<u>A) IMPORTS</u>		
<u>Major Commodity Groups</u>		
1/	Food	12.5
	of which: Cereals	5.3
	Milk and milk products	1.6
	Sugar	1.2
2/	Fuels	9.2
3/	Raw materials and semi-finished products	35.0
	of which: Iron and steel	6.6
	Building materials	6.2
	Cotton	4.6
4/	Finished Products	43.3
	a) Equipment	27.5
	of which: Machinery non-electric	13.2
	Electric machinery	5.6
	Transport equipment	6.7
	b) Consumption	15.8
	Total	<u>100.0</u>
 <u>B) EXPORTS</u> 		
<u>Major Commodity Groups</u>		
1/	Food	12.0
	of which: Fish	3.4
	Fruits and vegetables	3.4
	Olive oil	3.8
2/	Fuels	24.3
3/	Raw materials and semi-finished products	19.9
	of which: Fertilizers	12.6
4/	Finished Products	35.8
	a) Equipment	3.4
	b) Consumption	32.4
	of which: Clothing	24.3
	Total	<u>100.0</u>

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Source: Tunisia's External Trade Statistics

CHART 1  
TUNISIA SELECTED EXTERNAL  
ACCOUNT AGGREGATES  
(Percentage of GNP, 1982-1987)

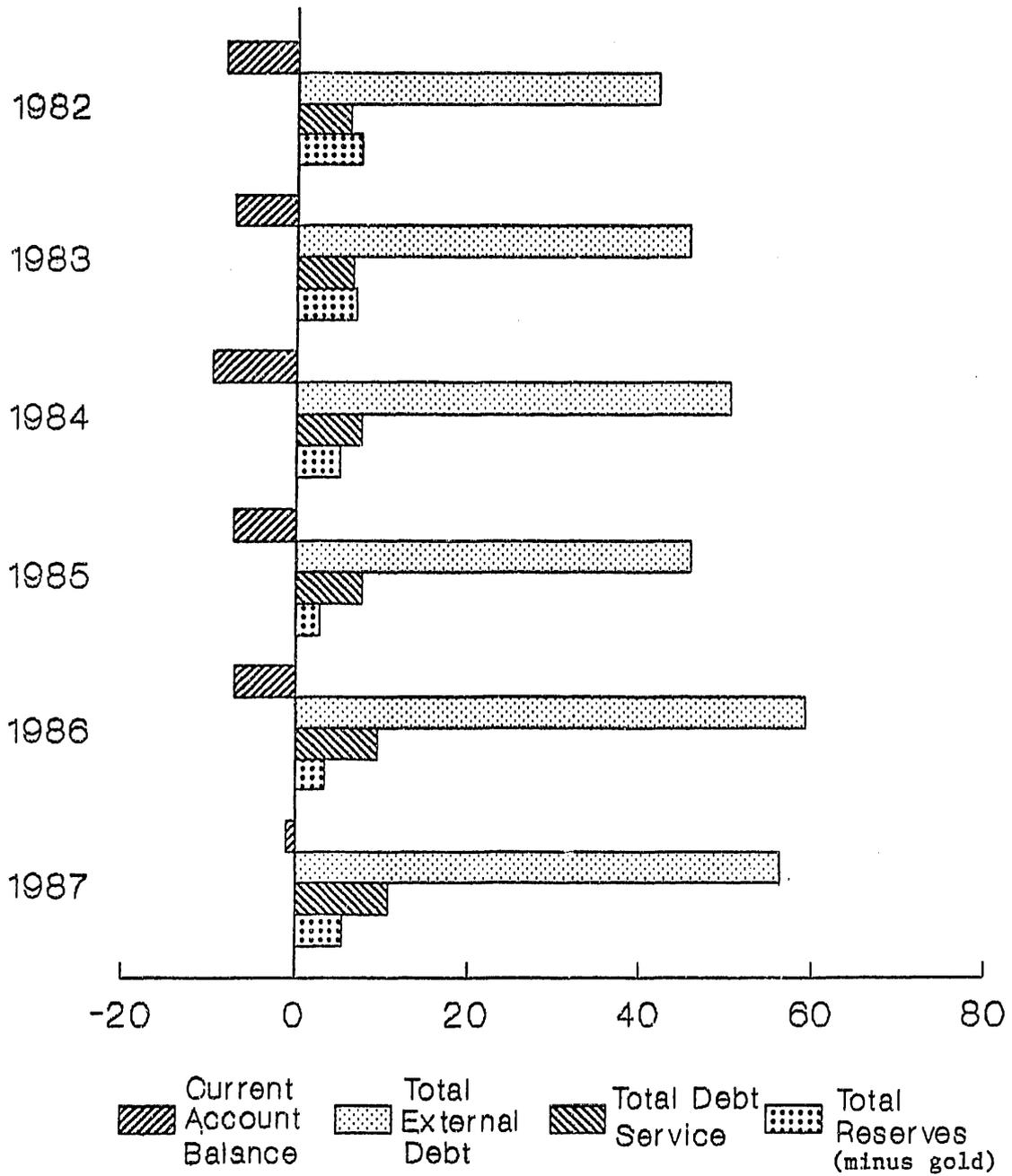


CHART 2  
TUNISIA: NATIONAL ACCOUNTS, 1982-87  
(Billion Dinars)

