Statement Submitted by Tunisia under the Simplified Procedures for Consultations

I. Purpose of import restrictions:

The quantitative restrictions, applied in a very flexible manner in Tunisia, are designed to:

- take account of balance-of-payments difficulties;
- protect newly created economic units;
- reduce consumption in order to release creative savings.

From 1962 to 1967 the balance of payments was characterized by continuing and chronic deficits on current account which were covered by recourse to foreign capital and by tapping exchange reserves.

Since 1968 there has been some improvement.

The trade balance nevertheless continues to show a substantial deficit as may be seen from the following table:

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</thead>
<tbody>
<tr>
<td>Imports (million dinars)</td>
<td>87.9</td>
<td>89.3</td>
<td>106.0</td>
<td>122.5</td>
<td>124.4</td>
<td>134.0</td>
<td>114.4</td>
<td>136.2</td>
<td>154.5</td>
<td>176.0</td>
<td>218.0</td>
</tr>
<tr>
<td>Exports (million dinars)</td>
<td>48.7</td>
<td>53.0</td>
<td>57.7</td>
<td>63.4</td>
<td>74.2</td>
<td>78.9</td>
<td>83.1</td>
<td>89.2</td>
<td>98.8</td>
<td>117.2</td>
<td>157.9</td>
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<tr>
<td>Balance (million dinars)</td>
<td>39.2</td>
<td>36.3</td>
<td>48.3</td>
<td>59.1</td>
<td>50.2</td>
<td>55.1</td>
<td>31.3</td>
<td>47.0</td>
<td>55.7</td>
<td>58.8</td>
<td>60.1</td>
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Because of this deficit, some import selection is necessary.

II. **Legal and administrative basis of the import restriction**

A. **Legal basis**

The basic texts for the restrictions are:

- the Decree of 29 December 1955;

- Notice No. 81 of 16 February 1962 in implementation of Law No. 59-144 of 5 November 1959.

B. **Administrative basis**

Notices to Importers, issued by the Ministry for the National Economy, constitute the administrative basis of the import régime.

These Notices are published in the Official Gazette of the Tunisian Republic.

III. **Commodities, or groups of commodities, affected by the various forms of import restrictions**

(a) **Products under general prohibition**

Imports from all countries are subject to a general prohibition.

Import permit applications are examined and granted according to the country’s needs.

(b) **Products under global quota**

These are major consumer products, for which an import programme is established each year for all areas.

(c) **Products under bilateral quota**

These are listed in the various agreements concluded each year between Tunisia and other countries.

IV. **State trading, or government monopoly, used as a measure to restrict imports for balance-of-payments reasons**

Tunisia does not practise any State trading or government monopoly in order to restrict imports for balance-of-payments reasons; nevertheless imports of certain sensitive or major consumer products such as cereals, coffee, tea, sugar and tobacco are under monopoly.
V. Measures taken since the last consultation in relaxing or otherwise modifying import restrictions

The first measure applied in order to relax import restrictions was the liberalization of a large number of products, under Notice No. 106 of 28 October 1969.

In principle, products listed in that Notice may be imported into Tunisia without quantitative restriction.

Other relaxation measures were recently introduced. They concern import procedures, which have been simplified by the introduction of:

- the import card;
- the import certificate;
- the annual import permit.

(1) Import card

In order to facilitate the activities of certain sectors of the economy by allowing them, in case of urgent need, to import parts or products needed for their activities, a new procedure has been established so that such operations can be effected under an import card; conditions for the use of this card are laid down in Notices to Importers published in the Official Gazette of the Tunisian Republic.

The products coming under this régime are listed in the Notice to Importers published in the Official Gazette of 26-29 August 1969.

(2) Import certificate

This is issued directly by approved intermediary banks. Imports covered by the certificate are permitted from all countries except those with which Tunisia does not maintain trade relations. Imports under an import certificate are not subject to quantitative restriction.

The products that may be imported under this procedure are listed in Notice No. 116 published in the Official Gazette of 4-8 February 1962 and Official Gazette No. 29 of 31 July - 7 August 1973.

(3) Annual import permit

The annual import permit was established under Notice No. 112 published in the Official Gazette 5 - 9 March 1971.
Under this procedure certain entrepreneurs are allowed to carry out their annual import programme subject to prior approval of the programme by the responsible services. A single import document covers all their imports for the year.

Annual import permits may be obtained by the following:

- manufacturers, in particular manufacturers of export products;
- bodies responsible for supplying country with certain essential products or products intended for industry.

VI. Effects of the restriction

The effects of the restriction are felt at different levels.

(1) Trade deficit

Although there is still a trade deficit, the restrictions have had a positive effect thereon. Over the period 1962-1971, the average annual growth rate of imports (6.9 per cent) was less rapid than that of exports (9.5 per cent), despite growing import needs as a result of the investment effort.

A consequence of this evolution has been a change in the composition of imports (see table below), reflecting the country's development effort and the action taken by the authorities to ensure optimum apportionment of import possibilities as among the various needs.

**Imports by Product Categories**

(Composition)

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<tbody>
<tr>
<td>Capital goods</td>
<td>20</td>
<td>33</td>
<td>22</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Raw materials and semi-products</td>
<td>25</td>
<td>34</td>
<td>38</td>
<td>32</td>
<td>30</td>
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<tr>
<td>Consumer goods</td>
<td>26</td>
<td>17</td>
<td>15</td>
<td>14</td>
<td>15</td>
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<tr>
<td>Foodstuffs</td>
<td>23</td>
<td>14</td>
<td>22</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Total imports</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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</table>
(2) National industrialization

At least during the starting-up period, nascent domestic industries need some degree of protection against competition from developed-country industries.

The introduction of import restrictions has contributed substantially to improving our output of footwear and textile articles, which have thereby acquired a certain competitive capacity on foreign markets.

(3) Savings

Action by the Tunisian authorities in respect of product supply has contributed to release a substantial amount of savings (savings in relation to gross national product moved from 7.7 per cent in 1962 to 19.9 per cent in 1972) which has been invested in various sectors.

VII. General policy in the use of restrictions for balance-of-payments reasons

As mentioned above, a number of measures have been taken since 1969 in relaxing or modifying import restrictions. The improved balance-of-payments situation made these measures possible. Exchange reserves, which had shown a negative trend until 1967 because they had been tapped to ensure balance-of-payments equilibrium, showed a positive trend from 1968 onwards. In the coming years the authorities expect further to reduce the use of import restrictions and to liberalize our trade with other countries more and more, to the extent that the favourable trend in our balance of payments and exchange reserves becomes more pronounced.

In 1973, the liberalization movement was reflected in the publication of a new list supplementing the one annexed to Notice No. 116 published in the Official Gazette of 4-8 February 1972 and extending the relaxations to some other products.

Foreign exchange resources will be allocated to the extent of 78 million dinars (as against 73 million dinars in 1972) under annual import permits, and 53-60 million dinars (as against 43 million in 1972) under import certificates.

In order to consolidate the tendency already noted in the balance of payments and to progress further toward import liberalization, action is planned in respect of exports, foreign aid and exchange reserves.
(1) **Export promotion**

Exports are expected to provide the impetus for the country's economic development in the coming years. The new economic policy, as defined by the Prime Minister on 17 November 1970, is focused on the intensification and diversification of our exports as a means of balancing and at the same time strengthening our trade with other countries. In the industrial sector, the application of this policy includes the creation of optimum conditions to encourage Tunisian manufacturers to orient their present production toward export trade or to introduce new production lines specifically intended for foreign markets.

A number of measures have already been taken in implementation of this policy, including the promulgation of Law No. 72-38 of 27 April 1972, establishing a special export régime, and the establishment of the National Investment Promotion Agency of the Export Promotion Centre.

In parallel with these incentive measures, the Tunisian authorities have decided further to relax the tax and customs régimes in order to ensure adequate supplies for the economy and increased competitiveness of the production system.

The new draft customs tariff promulgated under Law No. 73-45 of 23 July 1973 reflects this orientation and broadly takes account of the objective of promoting our exports, for which an annual average growth rate of 8 per cent has been estimated for the period 1973-1976.

(2) **Adjustment of foreign aid to needs of the National Development Plan**

While in quantitative terms, over the past decade 40 per cent of gross fixed capital formation was financed through foreign aid, nevertheless such aid presents the following characteristics in regard to internal structure and the conditions on which it is granted:

- 29 per cent reduction in the amount of donations during the second half of the decade;

- deterioration of conditions for loans granted during the period considered (interest rate, duration);

- grant of bilateral aid made conditional on specified sources of supply;

- difficulties in mobilizing foreign aid, which was utilized in practice only to the extent of 62 per cent, hence resort to supply credits on expensive terms.
Action in several directions is planned in order to remedy these shortcomings and adapt foreign aid to the needs of the National Development Plan:

- planning of aid over a period of several years, so as to allow more rational and speedier utilization of aid;

- elimination of overpricing resulting, for loans under projects, from the absence of international competition, thereby increasing the cost of investments;

- adaptation of aid to the new economic policy for liberalizing foreign trade and ensuring less costly supplies for the economy in general, and for Tunisian industry in particular.

(3) Increase in exchange reserves:

A reserves replenishment target has been set under the Third Plan (1969-1972) so that net reserves may be sufficient to cover the country's import needs for approximately one month.

This target has been substantially exceeded, taking into account the results achieved during the years 1969-1972 (+103.3 million dinars).

Consolidation of our exchange reserves will be one of the essential objectives under the Fourth Plan (1973-1976); accumulation of exchange reserves is planned to reach 89.5 million dinars, bringing total reserves to 182.4 million dinars in 1976, equivalent to 35 per cent of current expenditure at that date.

This favourable evolution in exchange reserves will in particular allow us to meet conjunctural difficulties while pursuing our foreign trade liberalization.
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<tbody>
<tr>
<td>Exports of goods and services</td>
<td>70.3</td>
<td>76.7</td>
<td>84.9</td>
<td>99.1</td>
<td>115.0</td>
<td>120.9</td>
<td>133.5</td>
<td>149.9</td>
<td>166.2</td>
<td>212.4</td>
<td>268.9</td>
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<tr>
<td>Imports of goods and services</td>
<td>110.8</td>
<td>115.0</td>
<td>135.1</td>
<td>168.1</td>
<td>168.0</td>
<td>176.1</td>
<td>152.3</td>
<td>180.3</td>
<td>200.2</td>
<td>230.2</td>
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<tr>
<td>Balance</td>
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<td>-38.3</td>
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<td>-69.0</td>
<td>-53.0</td>
<td>-55.2</td>
<td>-18.8</td>
<td>-30.4</td>
<td>-34.0</td>
<td>-17.0</td>
<td>-15.1</td>
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<tr>
<td>Income transfers</td>
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<td>8.0</td>
<td>14.6</td>
<td>14.7</td>
<td>19.6</td>
<td>-25.1</td>
<td>-23.9</td>
<td>-20.4</td>
<td>-11.9</td>
<td>-12.5</td>
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<td>Miscellaneous transfers</td>
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<td>2.9</td>
<td>3.3</td>
<td>4.5</td>
<td>5.9</td>
<td>4.1</td>
<td>5.3</td>
<td>8.5</td>
<td>4.6</td>
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<tr>
<td>Balance on current account</td>
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<td>45.8</td>
<td>56.4</td>
<td>80.7</td>
<td>64.4</td>
<td>70.3</td>
<td>38.0</td>
<td>50.2</td>
<td>49.2</td>
<td>21.2</td>
<td>23.0</td>
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<td>Net capital inflow (after deduction for debt repayment)</td>
<td>32.6</td>
<td>31.1</td>
<td>46.9</td>
<td>76.3</td>
<td>58.8</td>
<td>63.6</td>
<td>47.1</td>
<td>60.0</td>
<td>59.3</td>
<td>68.4</td>
<td>59.2</td>
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<tr>
<td>Increase in exchange reserves</td>
<td>8.8</td>
<td>14.7</td>
<td>9.5</td>
<td>4.4</td>
<td>7.6</td>
<td>6.7</td>
<td>9.1</td>
<td>9.8</td>
<td>10.1</td>
<td>47.2</td>
<td>36.2</td>
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