

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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REPORT OF THE COMMITTEE ON BALANCE-OF-PAYMENTS RESTRICTIONS ON THE CONSULTATION UNDER ARTICLE XVIII:12(b) WITH TUNISIA

Addendum

At the consultation with Tunisia under Article XVIII:12(b) the representative of the International Monetary Fund noted that the Fund expected to complete in the near future a consultation with Tunisia and to transmit to the CONTRACTING PARTIES the Executive Board decision relating to that consultation when it became available. The text of the decision, taken on 10 November 1965 at the conclusion of the consultation with Tunisia under Article XIV of the Fund Agreement, has now been received and is as follows.

1. The Government of Tunisia has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.
2. As a result of increased production in agriculture and industry, Tunisia since 1962 has experienced a sustained growth in real domestic product averaging about 6 per cent annually. Prospects for the continuation of this trend in 1965 and 1966 are good. Wages and salaries have been frozen at the 1961 level but are expected to be increased by about 5 per cent in 1965. Except for an 11 per cent increase in the last quarter of 1964 (due to cost increases associated with the October 1964 devaluation) wholesale prices since 1962 have risen by an annual average of about 3 per cent.
3. In 1964, and thus far in 1965, the Government has tightened the control on its expenditures. This, together with substantial increases in tax receipts and larger external assistance, allowed the Government to reduce its reliance on central bank financing of the investments of the public sector, which in 1962 and 1963 represented the principal threat to internal price stability. The restrictive credit and monetary policies followed by Tunisia in 1964 and 1965 have contributed substantially to the restoration of domestic stability. The Fund concurs with the views of the authorities that a continuation of this policy is necessary in order to safeguard stability and to restrain pressures on the balance of payments.

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4. Owing in part to a substantial decline in wine exports, the balance of payments continues to be under pressure and foreign exchange reserves have declined to a very low level. The Fund notes the steps taken to strengthen the balance of payments and welcomes the intent of the Government to reduce its reliance on short-term foreign credits.

5. The restrictive system remains complex and discriminatory and there is continued reliance on bilateralism. However, some progress has been made in relaxing restrictions and in reducing discrimination and bilateralism, and the Fund welcomes the intention of the authorities to reduce the rigidity and complexity of the system, including reliance on bilateral payments agreements. The authorities also intend to relax restrictions as the balance of payments situation improves.

6. In concluding the 1965 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Tunisia.