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for Tunisian Industry

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NOTE ON THE TUNISIAN CHEMICAL INDUSTRY 1/

presented by

the Government of Tunisia

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2.-

INTRODUCTION

1. The purpose of the Tunisian Industrial Investment Conference is to set up direct business contacts between foreign investors and Tunisian businesses or promoters of Tunisian projects, aimed at the achievement of concrete results in each sector of Tunisian industry.

2. The primary object of making these contacts in the chemical sector is to explore opportunities for collaboration between members of the existing Tunisian industry on the one hand and foreign manufacturers on the other, with the benefit of their experience, their technology and their knowledge of the international market. This collaboration may take a number of different forms; ranging from progress towards the integration of the entire chemical industry in Tunisia through the setting up of new projects, to the expansion of already existing industries.

3. The only purpose of this note is to provide a little background information on the existing industry, so as to give to foreign participants an outline of the principal data affecting the sector, which may be of help to them in setting the stage for their conversations with their Tunisian opposite numbers.

I. INVESTMENT DURING 1965-68

1. For the Four Year Plan Period 1965-68, the investments in the heavy chemical industry have been as follows:

<u>Projects</u>	<u>Amount of Investments</u> (round figures in Dinars)
PHOSPHATES (various projects)	7,300,000
IRON (various projects)	2,900,000
LEAD (various projects)	2,950,000
ZINC (various projects)	2,150,000
QUICKSILVER (various projects)	450,000
FLUOR AND DERIVATIVES (various projects)	750,000
MARBLE (various projects)	450,000
VARIOUS	620,000

2. In addition, there have been investments in the following branches of the light chemical industry in the Four Year Plan Period 1965-68:

<u>Projects</u>	<u>Amount of Investments</u> (round figures in Dinars)
PHOSPHATE FERTILIZERS	3,890,000
NITROGENOUS FERTILIZERS	20,000,000
OTHER CHEMICAL INDUSTRIES	
Establishment of factory making essence of jasmine perfume	60,000
Establishment of factory making marine paint	10,000
Pharmaceutical equipment, extension and modernization of the Central Pharmacy	400,000
Explosives; establishment of factory manufacturing fuses for mines	50,000
SOAP AND FATSTUFFS	
Establishment of factory distilling fatty acid	200,000
Establishment of factory for hydrogenizing vegetable oil	16,000
OTHER PRODUCTS	
Refined sulphur: Tunisian Sulphur Refining Company	70,000
Study of poly-vinyl-chloride and calcium carbide plant	200,000
Various studies	450,000

3. The Tunisian chemical industry has the following establishments and firms:

	<u>Number of firms</u>
Fertilizer manufacturing	9
Manufacture of industrial explosives	3
Perfumes	30
Manufacture of paints and varnishes	6
Manufacture of insecticides	6
Manufacture of detergents	12
Manufacture of pharmaceutical products	2
Petroleum refining	2
Soap and soap products	22
Sulphur refining	3

4. This indicates that with the exception of the production of perfumes, soap and soap products, and the manufacture of detergents, relatively few chemical firms were established. There is scope for investments in a variety of business activities for small- and medium-sized chemical firms.

5. On the other hand, to start to expand activities in the large scale chemical industry - closely related to the sector of mining and power - would require capital-intensive investments, substantial know-how and technical assistance. At present, this sector comprises the following units:

	<u>Number of firms</u>
Salt mining (4 production centres)	1
Iron ore mining	6
Mining of non-ferrous ore	15
Petroleum	10
Phosphates of calcium mining	3

6. Of the 110 million Dinars of net capital formation for industry during 1965-68, the chemicals branch has taken the largest part of 25 million Dinars, while mining, textiles and petroleum products have

each absorbed 20 million Dinars. Much of the investments consisted of relatively large units. Of the 25 million Dinars for the chemicals branch for example, 20 million Dinars are allocated to the creation of an ammonium fertilizer plant, the "Industries Chimique Maghrebines" (I.C.M.) project.

II. PRESENT INVESTMENT OPPORTUNITIES

Fertilizer Industry

7. It is planned to direct investments towards productive purposes in the already developed part of the chemical industry based on the rich natural resources of the country. The fertilizer industry is an excellent foreign exchange earner and has a very high potential, as the following indicates:

Crude phosphate production	3,000,000 tons
Production planned	4,600,000 tons
Production of hyperphosphates	85,000 tons
Production of superphosphates	150,000 tons
Production of processed phosphates	300,000 tons

of which 275,000 are exported.

8. It is planned to enlarge the production of ammonium-phosphates and ammonium-nitrates. An investment which would be in line with the present Tunisian policy of diversification of the phosphate-based industry is welcomed. It is also expected that the Moulares phosphate mine will be closed because of dwindling reserves, but new deposits have been discovered at Djebels Alima and Mrata, which will allow a doubling of mining productivity if new investments are undertaken.
9. The Gabès chemical complex has recently gone into operation and manufactures phosphate chemicals and fertilizers for export. The raw material requirements of this plant and maintaining the level of phosphate exports will mean that investment in phosphate mining will be given priority. The mining sector for chemicals as a

whole is expected to expand at a higher rate (8-10% per annum) than any other sector in the economy (6.5% per annum).

Mining Sector for Basic Chemicals

10. A bright spot in the mining sector for basic chemicals is that of zinc production. World demand is increasing and this trend is reflected in a continuous 10% per year rise, even when the production of other minerals fell. Exports for 1968 were 21% higher. A report has recently been published on a survey of the mineral deposits at Jebez Hamra; of the 400,000 tons of ore, 16,000 tons are of lead, 1,800 tons of zinc sulphide and 7,000 tons of zinc oxide. The larger mines could extract 250,000 tons of ore (12,500 tons of lead and 1,800 tons of zinc sulphide).

Petroleum Industry

11. The average production of petroleum is 3 million tons per year of which 850,000 tons are refined and out of which 150,000 tons are exported. There are investment opportunities in the storage or processing of by-products such as heavy fuel oil and bitumen. Lubricants are still imported, at a foreign exchange cost of about 1 million Dinars a year and an investment in this industry is also sought by Tunisia.
12. Efforts will be made to go beyond this tonnage of crude oil production. Sizeable investments will have to be made and several oil prospecting companies have mentioned their intention to spend something more than now estimated in the Plan. For this reason, the Plan estimate for 1969-72 should be considered as a very tentative and, under the circumstances, a conservative estimate of future expenditure by the oil companies.

Pharmaceutical Industry

13. This branch offers a variety of investment opportunities. There are only a few industrial and very small establishments which

produce approximately a total of 100 tons of pills, syrups, medicines, and various other items. The needs of the Tunisian market are only met by about 15%. The domestic production could be increased both for local and other neighbouring African countries. The import value for pharmaceuticals reaches almost 3 million Dinars a year, 90% of which is imported from France.

III. PROPOSED INVESTMENTS FOR 1969-72

14. A substantial part of the investment in the chemical sector is to go into the phosphate industry, for an important programme of modernizing and mechanising the mining of phosphate rock and the expansion of production of phosphate by-products. The phosphate industry has plentiful resources and a growing demand. This industry is the most important foreign exchange earner of Tunisia.
15. The annexed table provides the future projects based on information collected by the "SOUS-COMITE DES INDUSTRIES CHIMIQUES", a Tunisian governmental committee. As indicated in the financial scheme, there is an opportunity for the supply of foreign resources or for direct private investments.
16. For potential investors, it may be of interest that in 1969-72 the Tunisian authorities plan to prepare feasibility studies in the chemical sector for the following industries:
 - Production of detergents on the basis of tripolyphosphate;
 - Production of matches;
 - Production of potash, brome, magnesium;
 - Manufacture of glass wool;

IV. CONCLUSION

17. Tunisia's desire for development of its chemical industry has been manifested in the Development Plan 1969-72. The Government took the initiative in stimulating investment activities since it is the

chemical industry which is expected to accelerate the economic growth in the future.

18. Therefore the Tunisian Government put more emphasis on the development of the chemical sector than in the years before. In the Plan Period 1965-68 the investment in the chemical industry amounted to 3.1 million Dinars. The total of overall investments in the economy was 505.8 million Dinars. In the Plan Period 1969-72, the investment in the chemical sector will be 21.7 million Dinars. The total of overall investments in the economy is 617 million Dinars. This represents an increase of investment in the chemical sector of 600% in the Plan Period 1969-72.
19. In order to start new chemical industries or to expand and modernize existing ones, more foreign investment is sought. It will be welcomed from technically advanced countries for the sake of combining know-how and investment.
20. A factor to be taken into consideration is the marketing of chemical goods in Tunisia and abroad. Tunisia's application for associate membership of the E.E.C. has succeeded recently. Plans to co-ordinate the development of certain sectors of the economies of the Maghreb countries (which include Algeria, Morocco, Tunisia and Libya) are considered within the Permanent Advisory Committee established in Tunis.
21. It is expected that contacts on the spot between participants from industrialized countries and Tunisian representatives of chemical industries would provide an opportunity to discuss specific proposals emanating from both sides to expand or establish new enterprises in this key branch of the industrial sector in Tunisia.

TUNISIA CHEMICAL SECTOR

PROPOSALS FOR INVESTMENTS IN 1969 - 72

TUNISIAN PROMOTER	CHARACTERISTICS OF THE PROJECT	TOTAL INVESTMENTS (DINARS)	LOCAL CURRENCY COMPONENT (DINARS)	FOREIGN EXCHANGE COMPONENT (DINARS)	PRODUCTION FORECAST (TONS)	PRODUCTION FORECAST (DINARS)
Société Industrielle d'Acide Phosphorique et d'Engrais (S.I.A.P.E.)	Re-building and renovation	3,700,000	1,400,000	2,300,000	1969 525,500	1969 9,740,000
					1970 572,000	1970 10,560,000
					1971 599,000	1971 11,050,000
					1972 626,000	1972 11,550,000
N.F.K. - Engrais	Renovation of storage	1,065,000	265,000	800,000	1969 180,000	1969 4,800,000
					1970 190,000	1970 5,000,000
					1971 200,000	1971 5,300,000
					1972 215,000	1972 5,700,000
Société Tunisienne des Engrais Chimiques (S.T.E.C.)	Production of pesticides and modernization	360,000	260,000	100,000	3,500 tons per year of pesticides	1969 460,000
					1970 450,000	
					1971 460,000	
					1972 600,000	
Pharmacie Centrale	Pharmaceutical products	800,000	-	800,000	-	1969 780,000
					1970 870,000	
					1971 940,000	
					1972 1,030,000	
Industries Chimiques Maghrébines (I.C.M.)	Production of phosphoric acid	8,000,000	1,600,000	6,400,000	1971 30,000	1971 1,650,000
					1972 80,000	1972 4,400,000

Continued

TUNISIAN PROMOTER	CHARACTERISTICS OF THE PROJECT	TOTAL INVESTMENTS (DINARS)	LOCAL CURRENCY COMPONENT (DINARS)	FOREIGN EXCHANGE COMPONENT (DINARS)	PRODUCTION FORECAST (TONS)	PRODUCTION FORECAST (DINARS)	
Société Industrielle d'Acide Phosphorique et d'Engrais (S.I.A.P.E.)	Production of sulphuric acid of gypsum	7,500,000	3,500,000	4,000,000	1971	-	
					1972	75,000	1,330,000
					1973	150,000	2,660,000
					1974	300,000	5,320,000
Raffinerie Tunisienne de Soufre (R.T.S.)	Refining of sulphur	128,000	81,500	46,500	1969	3,080	
					1970	2,950	194,000
					1971	3,000	197,000
					1972	3,000	197,000
Divers	Manufacture of paints, varnishes etc.	125,000	20,000	105,000	1969	2,828,000	
					1970	2,983,000	
					1971	3,223,000	
					1972	3,288,000	
Société Tunisienne d'Explosifs et de Munitions (S.O.T.E.M.U.)	Extensor of powder mill for the production of explosives, etc.	49,000	45,000	4,000	1969	1,500	
					1970	1,500	618,000
					1971	1,500	641,000
					1972	1,500	673,000



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