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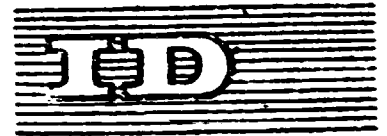
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INDUSTRIAL REDEPLOYMENT IN TUNISIA *

by

Republic of Tunisia Investment Promotion Agency**

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** Tunis, Tunisia.
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The policy of accelerated industrialization adopted by Tunisia at the beginning of the 1970s has the priority of contributing towards solving the problem of under-employment. The fourth and fifth plans (covering the years 1973-1976 and 1977-1981, respectively) defined the general direction of this industrial development and the ways and means of achieving it.

Tunisia is a country with limited natural resources, and resolutely opted for the promotion of highly labour-intensive industrial sectors. Apart from the food processing and building materials industries, which are intended not only to meet the needs of the domestic market but also to make use of certain primary products of the country, the textile, leather and footwear industries were the main activities developed in the first phase. The abundance of manpower and the relatively low level of skill required, as well as the existence of external markets, particularly in Europe, made it possible for these sectors to create 34,000 jobs out of the manufacturing industries' total of 60,600 during the fourth plan.

In recent years our objectives with regard to industrialization have been defined more clearly still and precise roles have been assigned to each sector of activity, in addition to the absolute priority given to the creation of jobs.

The building material industries, for example, should meet the growing needs for housing (125,000 new dwellings during the fifth plan, representing an investment of 600 million dinars) and should make it possible to achieve self-sufficiency in the building materials field, or even, if appropriate, make us an exporter of certain products.

The food processing industries will receive new impetus thanks to their better integration with the objectives of development in the agricultural sector, which continues to absorb about 50 per cent of the economically active population; thus, the development of animal husbandry, for example, requires an increase of our output of cattle feed.

All the sectors contributing to the development of agriculture deserve, by the way, to be particularly encouraged in order to provide our rural areas with essential inputs of all kinds.

The mechanical and electrical engineering industries represent another basic sector in our industrialization in the fifth plan in view of the needs of our market for

all kinds of transport equipment and consumer goods.

Tunisia's resources do not allow it to envisage promoting a highly integrated heavy industry. It has been decided to develop activities for the manufacture of machine parts with technological and commercial partners.

The question of the processing or semi-processing of certain raw materials so far exported in the crude state has not been neglected and such activities have already begun for products such as phosphate, esparto grass, etc., but not in the case of other products, because of the relatively high investment cost of such operations (petroleum).

This policy has led to:

- The systematic search for foreign partners who can contribute towards adding to our technological arsenal and the establishment of direct partnership agreements and durable relationships in order to win new markets and turn Tunisia into a genuine centre for development. That implies association and co-production with the holders of advanced technology, perhaps, if the need for this becomes felt, using patents and licences, but without thereby becoming mere consumers of the latter.
- The organization of a special agency in order to avoid cumbersome procedures and to ensure that these don't retard development. The Investment Promotion Agency, set up in 1973, is the sole interlocutor for all industrial promoters and is invested with all powers to receive, inform and assist industrialists, study their projects and issue authorizations to them. Since it in this way streamlines all administrative procedure, which is too often long and constricting, API is a model for an organized administration.
- The establishment of a system of legal and financial measures for incentives to foreign investors comprising mainly:
 - . Complete customs exemption on the import of equipment necessary for production;
 - . Complete exemption from tax on profits made during the first ten years and a 10 per cent reduction on the rate of tax for the following ten years;
 - . Lifting of restrictions on exchange transactions and the transfer of profits;

- Finally and in parallel to the measures promoting the creation of jobs, an important project has been decided on during recent years and will be continued during the fifth plan, namely, a system of vocational and specialized training, which constitutes an important supplement to the national educational system.

Year	Projects approved			Projects implemented	
	No. of projects	Jobs	Investment in million dinars	Jobs	Investment in million dinars
1973	643	31,000	135.4	12,333	33.4
1974	859	31,200	163.2	15,917	58.5
1975	1,230	37,490	223.5	15,850	84.4
1976	1,597	44,052	324.2	16,300	93.4
1977	1,310	41,077	312.4	18,370	125.6
1978	1,313	35,752	227.9	20,300	173.6
1 Sept. 1979	721	19,049	120.8		

With regard to fiscal policy, certain measures have been taken to avoid double taxation. These measures apply to physical and moral persons who are nationals of countries with which Morocco has already signed a convention in this respect, including Belgium, the Federal Republic of Germany, France, Italy etc.

In this connection, bilateral conventions have been signed with a number of countries with a view to guaranteeing on a reciprocal basis investments made by nationals of each of the two countries concerned. Moreover, it should be remembered that Morocco has acceded to the International Arbitration Convention drawn up by the Centre for International Investment Control.

With regard to export promotion, a specific code provides for advantages on a cumulative basis with those stipulated by the industrial code, the most important of which concerns the transfer guarantee for products involved in liquidations in the case of foreign investments. Moreover, these measures have been completed by the introduction of provisions relating to insurance canvassing.

However, there is another no less important approach to investment incentives, namely through customs regulations. These regulations have been conceived and designed to encourage the general development of trade with foreign countries and the specific promotion of exports.

All these provisions clearly show Morocco's desire to promote the development of industrial co-operation at the international level, based on common interest.

To support these efforts, the State has also created a public body responsible for industrial promotion: in this respect the Office for Industrial Development ODI represents an essential means of intervention, the mission of which may be summed up as follows:

- First of all, for carrying out specific sectoral studies, ODI has an advisory role with the public authorities and the private sector, and therefore must maintain a permanent portfolio of investment projects available to promoters;
- Simultaneously, ODI has an advisory and assistance role with industrial promoters in connection with the search for partners and licences, as well as the preparation of information prior to any investment decision;
- Moreover, ODI may itself play the role of partner when its participation is essential for the effective implementation of a particular project. The criteria for such participation are both economic and financial.

Value added share of value added contributed by the manufacturing industries in India (1972-73 to 1981-82)

Year	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
G. D. P.	1077	1082	1106	1201.7	1247.7	1495.0	174.0	1739.0	1919.0	2022.0
%	9.23	9.0%	9.4%	8.9%	9.65%	10.12%	10.2%	10.6%	11.3%	11.8%
Value added, manufacturing industry	93.9	98.2	112.2	116.4	137.5	151.1	172.5	188.9	217.7	238.5
Food processing	42.2	34.4	41.7	41.7	48.7	43.0	49.6	50.7	58.8	59.2
Building materials	6.7	7.5	7.1	8.3	10.0	14.0	17.7	21.3	24.2	26.1
Mechanical and electrical engineering	12.6	14.2	15.0	15.4	18.2	21.5	24.6	28.0	32.1	37.1
Leather and shoes	9.0	11.1	12.5	8.8	7.6	12.2	13.2	14.1	18.3	20.4
Textile	18.4	21.2	23.9	30.0	38.8	44.6	49.2	54.1	61.0	69.7
Others	9.4	9.8	13.0	13.2	14.2	15.8	18.2	20.2	23.3	26.0

