TUNISIAN INDUSTRY: NURTURED OR OVERPROTECTED?

Photo: STIP

Tires are vulcanized at a Tunisian factory which manufactures under foreign licence.

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The residential district of El Menzah is just a few minutes from the busy centre of Tunis. The city, in its spring greenery, is an invitation to relax but it is also the headquarters of one of the most promising industrial enterprises in Tunisia: the Complexe mécanique de Tunisie (CMT). Created in 1981 by the Tunisian Government, CMT represents the birth of large-scale industry in the country. In its plants at Mateur, 60 kilometres from Tunis, CMT is aiming to manufacture '100 percent Tunisian' tractors. "We have already passed the 30 percent mark," says Slaheddine Bacha, CMT's chief executive officer.

The economic recovery program begun in Tunisia in recent months is geared toward building a national industrial base. But what is the cost to Tunisians of this "adventure" in industrialization? That question is now on the public agenda.

An IDRC-funded study conducted by the Institut d'Économie Quantitative de Tunis (IEQ) indicates that industry has received three times as much government assistance as agriculture.

As a committed industrialist, Mr Bacha is impatient with such comparisons: "Don't forget that under the last national plan it was industry that registered the strongest growth rate — 5.4 percent."

For IEQ researcher Néjib Bousselmi, the study clearly demonstrates that industry has received preferential treatment compared with agriculture. State encouragement took the form of customs protection against foreign competition and of various incentives, notably tax advantages. "With regard to the relative neglect of agriculture," continues Mr Bousselmi, "it should be noted that Tunisian wheat has for a long time been purchased by the State at a price lower than the international level." The price of Tunisian wheat in 1985, for example, was 15 dinars (1 dinar = CA\$1.68) per 100 kilograms, as opposed to 16 dinars for imported wheat. Furthermore, from 1974 to 1984, grain imports increased more quickly than national production. (It should be noted, of course, that wheat prices are also a reflection of political imperatives such as the bread riots caused by short-term increases in grain product prices in January 1984.)

Employment and technology transfer

In comparison, the price of cars assembled in Tunisia has always been higher than that of imported vehicles. Price comparison shows that the touring car put together in Tunisia costs 92 percent more than if it had been imported. And assembly does not even allow the country to save currency.

"This is normal," explains Mr Bacha of CMT. "Vehicle assembly is more expensive because of additional transportation and storage costs." The major reason for doing the assembly in Tunisia is therefore social. "Manufacturing cars in the country creates employment," says Mr Bacha. "It also helps us master technology and paves the way for implementation of a long-term industrial strategy."

Some may ask whether it is worthwhile to maintain a costly and uncompetitive industrial infrastructure, especially since profitability and competitiveness are among the priority objectives of the latest economic recovery plan adopted by the government. "To date," explains Mr Bousselmi, "Tunisian industry has fed on State assistance and sacrifices by consumers compelled to purchase expensive products often of mediocre quality."

Because of this comfortably protected national market, Tunisian industrialists are in the habit of making easy profits. They don't, then, feel the need to operate in foreign markets where players need to be competitive and aggressive. But such behaviour is no longer acceptable since the launch of the economic recovery program, which compels Tunisian enterprises to improve productivity or disappear. Under the program, customs duties on foreign products were initially brought down to 50 percent, then even further to a ceiling of 25 percent, drastically reducing the protection of Tunisian manufacturers.

These measures will force Tunisian industry to adapt. Indeed, they already have, according to Mr Bacha. He points out that during the period of the last national plan, industry was the most important export activity after oil.

"And CMT is competitive," he adds, tables in hand. The Mateur tractors are actually less expensive than several major international brands. The question, though, is also whether they are as good.

Mr Bacha offers another example of competitiveness. Axles manufactured in Germany cost 1000 marks each. "Starting in July 1987, we are going to put them out for only 600 marks," states Mr Bacha, who plans to export this product.

Tunisian industry now seems able to stand on its own two feet. After successfully substituting "Made in Tunisia" products for foreign brands in everyday use, it must now meet the export challenge. This is the only way that the country will be able to deal calmly with the post-oil era, when its reserves are exhausted. ■

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