United Nations
Economic Commission for Africa
Subregional Office for North Africa

Tunisia: Economic situation and outlook in the current transition phase

United Nations
Economic Commission for Africa
Subregional Office for North Africa

Tunisia: Economic situation and outlook in the current transition phase

Ordering information

To order copies of *Tunisia: Economic situation and outlook in the current transition phase* by the Economic Commission for Africa, Subregional Office of North Africa, please contact:

Publications
Economic Commission for Africa
P.O. Box 3001
Addis Ababa, Ethiopia

Tel: +251 11 544-9900
Fax: +251 11 551-4416
E-mail: ecainfo@uneca.org
Web: www.uneca.org

First printing July 2014

Designed and printed in Addis Ababa, Ethiopia by the ECA Documents Publishing and Distribution Unit. ISO 14001:2004 certified.

Tunisia: economic situation and outlook in the current transition phase

2011: start of the Tunisian revolution

Gafsa mining basin

For nearly six months in 2008, a major social movement, indeed, the largest ever in Tunisia, since President Ben Ali came to power in 1987, shook the Gafsa mining basin, situated 350 kilometres south-west of Tunis. Although this is a phosphate-rich area, it is beset with unemployment and poverty. For months on end, attempts to crackdown on the protest movement and riots led to hundreds of deaths and arrests. These events were considered as the start of a process leading to the Tunisian revolution, nearly two years later.

Youth unemployment: a long overlooked volatile issue

On the eve of the 2011 revolution, unemployment among young people (15-24 years) in Tunisia had reached 31 per cent[1]. The 5 per cent mean annual growth rate of the in the three years prior to the revolution belied a very dire economic situation for the country's young population. According to the National Statistical Institute, the number of unemployed graduates had doubled in four years, from 66,200 in 2005 to 128,100 in 2008. In that State-run economy, a higher education diploma was seen as a guarantee for a stable job, often in the civil service or para-public sector. This, however, changed with the major structural reforms that took place in the post-Bourguiba era. Many university graduates found themselves abandoned, once they got on the job market, causing much resentment from young people and the Tunisian society in general, especially as the country had invested in education as one of its pillars of development.

The act of Mohamed Bouazizi, a young man from the town of Sidi Bouzid, in the centre of Tunisia, who set himself on fire in December 2010, triggered a revolution, fostered by unemployment, poor governance and social injustice.

1 ECA, 2010. Economic and social conditions in North Africa.

President Ben Ali ousted

Three weeks following this drastic act, the protest movement spread to the country's major cities. From 12 January 2011, the headquarters of the unions became the rallying point for the uprisings in the cities. On 13 January, President Ben Ali announced, in his third and last address to the nation, that he would not be seeking yet another term of office in 2014. On 14 January, the demonstrations spread throughout the country. During the largest of these, held in Tunis, participants called for the President to step down. Ben Ali left the country the same day, for reasons and under circumstances not yet established, although much has been said about these since then.

Elections on 23 October 2011and establishment of the National Constituent Assembly

On 15 January 2011, the speaker of the Tunisian parliament was appointed interim Head of State,[2] pursuant to the provisions of the country's Constitution, which provides for elections within 60 days of the departure of the president. The outgoing Prime Minister was responsible for forming a national union government.

That was the beginning of a turbulent transition for Tunisia, which saw three governments within three months following the departure of President Ben Ali. Free and democratic legislative elections were held on 23 October 2011 and a national constituent assembly was elected for a one-year term, primarily to draft a new constitution, form a new executive and pass laws until general elections were held. The 23 October 2011 elections brought into government a three-party coalition[3], known as the Troika.

2012 – 2013: democratic transition process

The performances of two of the transitional governments under the troika were mired in controversy and led to political crises, even as civil society groups did what they could to organize themselves. The assassination of two opposition political figures[4] led to a breakdown in the transition process.

The opposition parties, the General Union of Tunisian Workers and civil society groups impressed on the ruling coalition the need for a new approach to the transition. A labourious national dialogue then began, led by a group comprising the Tunisian General Labour Union (UGTT), the Tunisian Union for Industry, Commerce and Crafts (UTICA), the National Bar Association and the Human Rights Defence League. A fiercely brokered political comprise among the stakeholders led to an agreement for a roadmap, the ouster of the head of the interim Government[5] and the formation of a government of independents.

2 Article 57 of the Constitution

3 Ennahda, Ettakatol and the Congress for the Republic

4 Including a Constituent National Assembly deputy representing the town of Sidi Bouzid

5 Belonging to the Ennahda party

Drafting the constitution

Following the 23 October 2011 elections, the parties whose members had acceded to parliament called for a repeal of the 1959 Constitution. The National Constituent Assembly heeded their call and suspended it and then issued a transitional constitutive law[6] on the provisional organization of public authorities, which superseded the legislative decree of 23 March 2011 and the 1959 Constitution. It was implemented until the new Constitution was drafted by the Constituent Assembly.

The provisions of the law were drafted and debated in parliamentary committees from December 2011 to December 2013, and then passed in a full session of parliament from 3 January 2014. While it was initially hoped that the new constitution would be drafted within a year, it took two full years to do so, during which time partisan negotiations and intense and at times heated debates took place. Those two years, however, proved to be beneficial for democracy in Tunisia, enabling a hitherto neglected civil society to organize itself better and make its voice heard at the most critical times, particularly following the political assassinations of ChokriBelaid and Mohamed Brahmi[7].

Political uncertainty

The transition lasted longer than expected, as the elections were postponed amidst a deepening political rift. A major leap was made, however, with the adoption, by consensus of all the stakeholders, of the new constitution. The political debate still had priority over economic discourse.

The political uncertainty persisted, however, as the transition had often been undermined by the many clashes among the country's political forces. This uncertainty was exacerbated by a shaky security situation, as it remained vulnerable and sensitive to the deteriorating security situation in Libya and the Sahara Sahel region, as well as to the fallout from the war by Tunisia and Algeria on the armed groups operating at their common borders. Equally disturbing was the dire economic situation that the troika had not been able to redress and which was fanning social tensions in the country

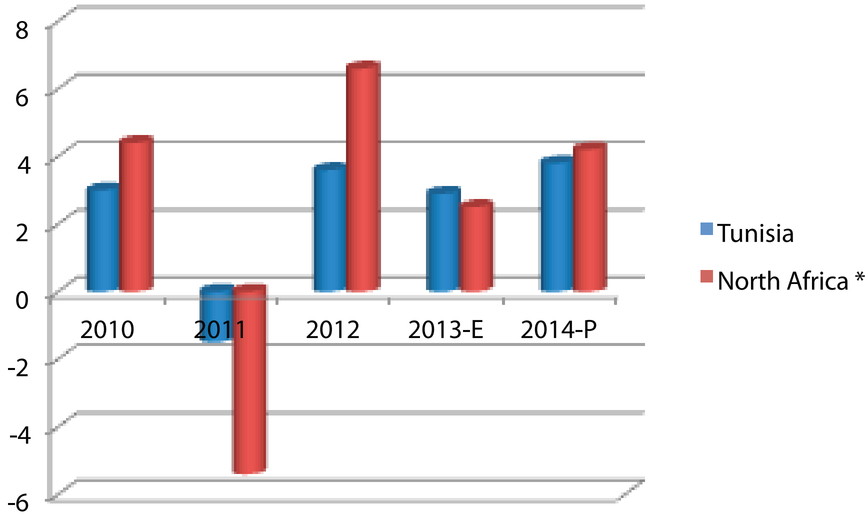
An ailing economy and mixed outlook for economic growth

Due to poor external demand and the global economic downturn, including in the euro zone, the country's economic growth declined from 3.6 per cent in 2012 to 2.9 per cent in 2013. Nearly all the sectors experienced a slowdown, except for industry, which had received State subsidies to revamp domestic demand.

6 The law was passed on 23 December 2011

7 6 February 2013 and 25 July 2013 respectively

Average annual GDP growth rate (2010-2014)



Sources: National data (Regional Office for North Africa survey, official web sites), IMF, Economist Intelligence Unit (EIU)
*North Africa Regional Office
P: Projection; E: Estimate

A sectoral analysis of economic growth in 2013 shows a 3.3 per cent decline in the agriculture and fisheries sectors, following a sharp drop in cereal production. The non-manufacturing industries also experienced fall in their value added (0.4 per cent), due to diminishing energy production (3.2 per cent), especially petroleum and natural gas extraction (3.8 per cent). This fall would have been worse, had mining not grown by 3.2 per cent.

Non-commercial activities, on the other hand, experienced faster growth (5.4 per cent), as did commercial services (4.3 per cent), mainly the communications (9.8 per cent), transport (4 per cent) and tourism (1.9 per cent) sectors, the sharp decline in the main indicators for the sector notwithstanding.

Domestic demand, which drove growth in 2012, was the main growth factor in 2013, accounting for 4 points. Final consumption added another 7.9 points, and private consumption, 3.7 points. Gross investment continued to improve, reaching a high of 10.7 per cent over the previous year, thereby increasing by 0.5 points[8]. Net exports reduced by 1.1 points.

Forecasts for 2014 target a 3.8 per cent real growth and focus on reducing the public finance and external debt deficit. According to the 2014 budget[9], the main priority was to raise funds to implement development and employment programmes. The budget also highlights the need to support economic activity, foster investment and continue to provide grants for basic goods and services, particularly energy and transport. Many challenges do remain, however. They include restoring lasting, strong and inclusive economic growth and maintaining low foreign debt levels

8 National source and EUI, 2103

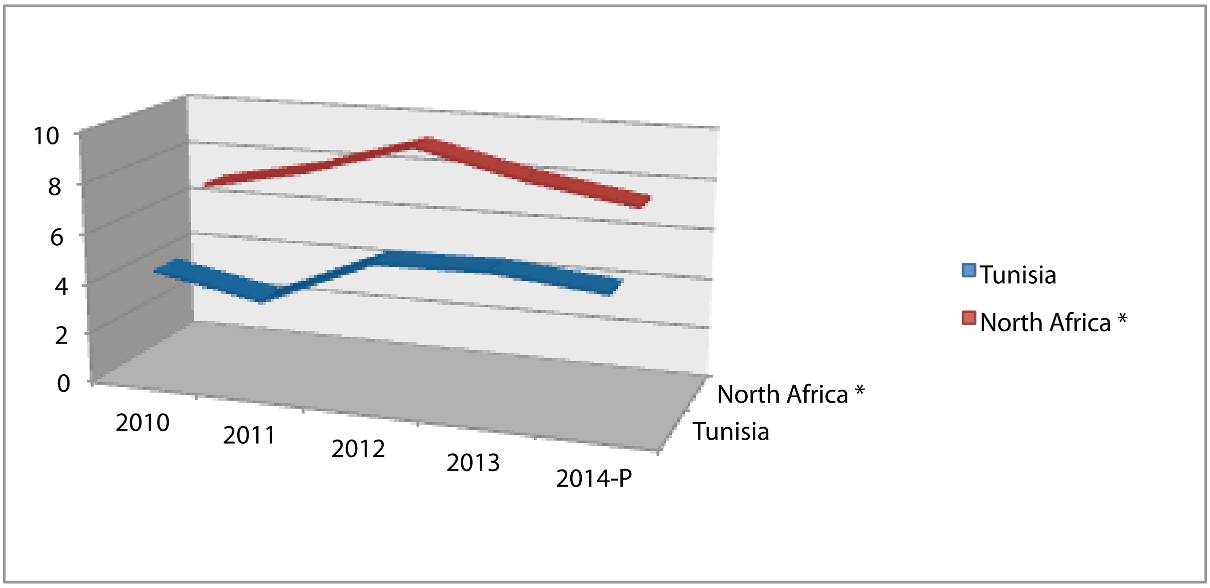
9 Should be revised following the establishment of the new Government.

and satisfactory foreign exchange reserves. At the same time, the high unemployment rate calls for improvement in private investment, by adopting supply-side policies.

Inflation, monetary policy and exchange rate: downward inflationary trend, following decline in world food prices

Inflation in 2013 remained rather high overall, following fuel price hikes, reaching 5.6 percent at the end of the year. The price hikes affected mostly food items (7.8 per cent, up from 6.9 per cent the previous year), clothing and shoes (7 per cent compared to 7.7 per cent), transport (5.4 per cent, from 2.9 per cent) and housing (5.1 per cent, from 2.8 per cent). For 2014 forecasts, the International Monetary Fund (IMF) and the Tunisian authorities expect to see inflation drop gradually to 5.2 per cent, as a result of a prudent monetary policy.

Annual rate of inflation (per cent)



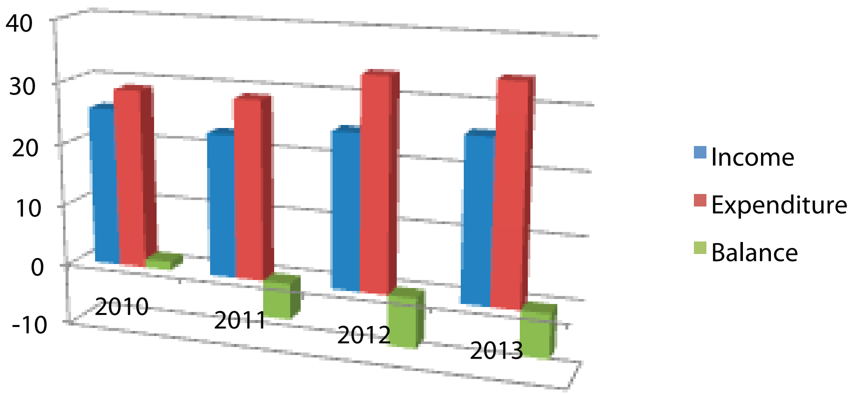
Sources: National data (Subregional Office for North Africa survey, official web sites), EIU database, December 2013

Public finance: recreating the fiscal space and external margins for manœuvre

The 2013 finance law had predicted a slight adjustment to the 2012 situation and improvement in the budget balance; this did not happen. According to the IMF, the budgetary stance on which the 2013 finance law was based was quite appropriate, as it helped to cope with social spending and high investment requirements (based on unemployment and major regional disparities), given the financing constraints and debt viability considerations. At 7.3 per cent of the gross domestic product (GDP), the overall deficit for 2013 is quite close to the budgetary target, with a structural budget balance of about 5 per cent of GDP and better expenditure composition. The IMF and Tunisian authorities agreed that if earnings were below estimates, the compensatory measures to be taken to achieve the budgetary target would be centred on non-essential current expenditure and the means for mobilizing earnings, while preserving investment and social expenditure.

In terms of prospects for 2014, the 2014 budget, approved in December 2013, is designed to reduce the budget deficit to 5.7 per cent of GDP, while reducing the tax burden on the poor and increasing investment spending.

Overall cash balance (percentage GDP)



Sources: National data (2012) and IMF estimate (2013).

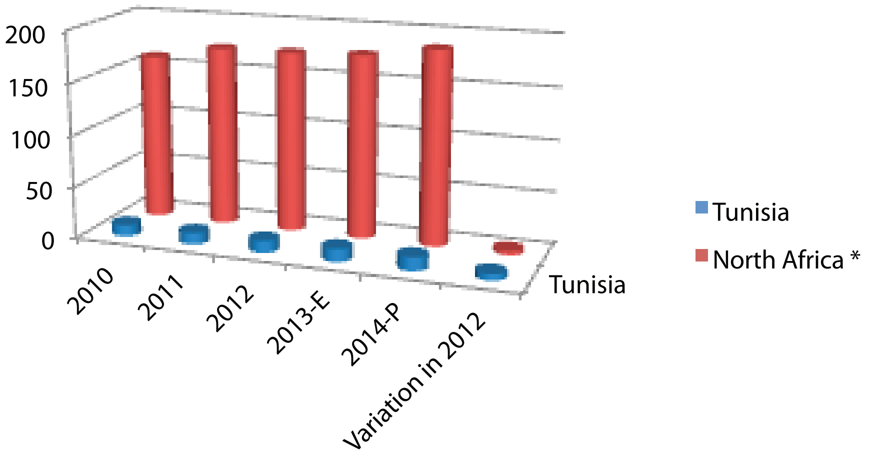
Investment

Gross fixed capital formation improved in volume terms, totalling $12.3 billion in 2013, up from $11.6 billion in 2012, accounting for 24.6 per cent of GDP in2013, compared to 23.2 per cent of GDP in 2012. According to official data, the fixed gross capital formation rose to 12 per cent, from TND 15.7 billion in 2012 to TND 17.4 billion in 2013, while total investment rose by a mere 7 per cent (from TND 18.1 billion in 2012 to TND 20.1 billion in 2013). Tunisia is continuing reforms to create an enabling environment for business, in a bid to attract foreign direct investment. The short-term benefits, however, are not yet visible.

The volume of foreign direct investment dropped by 20 per cent, from $1.554 million in2012, to $1.234 million. This relative drop stemmed from the economic difficulties faced by the country's major partners, as well as its unstable social and political situation. As far as private economic operators are concerned, the 1993 investment law requires amendment. According to company heads, the law was not business friendly and must be revised to make it more simple and transparent, as a way of easing procedures for starting business and improving arbitration and reconciliation procedures. Such an amendment was sorely needed to buttress the structural transformation of the economy toward diversification and value added.

Just like for the other countries in the subregion, this was an opportunity to improve the convergence of investment laws in North Africa, as a way of accelerating regional investment.

Increase in fixed gross capital formation (2009-2012) (In billion dollars and at current market prices)



Sources: National data, EIU, IMF. 2013

Political and security environment continues to affect trade performance

The country's exports rose by 2.3 per cent, although the variation in absolute value was too low to reverse the downward trend observed for the region as a whole. The consolidated exports amount for North Africa declined by 0.2 per cent from its 2010 level. Persisting political instability and security threats, slow growth in the euro zone and declining oil prices have been affecting the performance of the economies and dynamism of exports from the North Africa subregion. For 2014, the downward trend is expected to continue for the entire region, dropping by a further 0.2 per cent, owing to uncertainties about Libyan fuel exports and falling oil prices. On the other hand, goods imports rose by 7.8 per cent. Trade in services posted a positive rising balance (16.6per cent). This performance, however, does not match that of 2010, due to the dragging political transition and its impact on the economy, especially the tourism industry.

The country's funds transfers posted a consolidated positive balance of 8.1per cent ($2.4 billion) in 2013. With a progression of 10.4 per cent, this balance is higher than that of 2010 ($1.9 billion), that is, prior to the massive return of Tunisian workers from Libya in 2011.

Employment: a central issue

According to the 2013 United Nations Human Development Report, with a human development index of 0.713, Tunisia is ranked 94th in the world, right behind Algeria (93rd) and before Egypt (112th) and Morocco (130th). Tunisia accords great importance to social issues and gender equality. In the past two decades, the State allocated, on average, 2 per cent of GDP to health and 6.3 per cent to education spending. Wide disparities do remain, however, among social groups and regions, and between men and women. The education system is currently being called into question because of its inability to provide qualifications tailored to the job market; a situation which has led to a downgrading of certificates and a high rate of jobless graduates.

The poverty rate in Tunisia has for long been underestimated. According to a study by the national statistics institute, it was 15.5 per cent in 2010 (4.6 per cent for extreme poverty), compared to 23.3 per cent in2005 and 32.4 per cent in2000. Political and economic uncertainty has taken a toll on the employment situation and led to a decline in tourism earnings and lack of visibility for investors, who have either postponed their projects or withdrawn their capital, depriving the economy of thousands of jobs. Compounding the situation is the downgrading of Tunisia by the rating agenciesin 2011, making the cost for project financing prohibitive. From 2009 to 2012, the unemployment rate rose from 13 per cent to 18 per cent. If the economic recovery of the country lasts as long in 2014 as it did in 2013, it would have an adverse impact on youth employment.

Unemployment rate (per cent)

	2011	2012	2013
Global	5.8	5.9	5.9
North Africa average	10.3	11.6	10.9
Tunisia	18.9	17.6	15.7

Sources: ECA, 2013 country data (annual survey, 2013 Subregional Office for North Africa); ILO, 2012. Global employment trends, 2012, ECA, AfDB, OECD, 2012. Africa Economic Outlook, IMF, 2012.World Economic Outlook, April2012

Since independence, Tunisian women have enjoyed a favourable environment that recognizes their rights, with the passing of a progressive personal status code, sustained interest in the institutional mechanism, mainstreaming of gender equality in planning and application of affirmative action. All these measures, notwithstanding, equality is not well entrenched in the society. These measures must, therefore, be continued and consolidated if the gains made over the years are to be maintained.

Despite Government efforts in education, gender disparities do exist in basic education (26.4per cent illiteracy for girls, compared to11.5 per cent for boys). Also, in spite of the high rate of access by girls to university, where they are in the majority, women are under represented on the job market. They make up only one-quarter of the 3.2 million work force, and the rate of unemployment among them is higher than for men. Unemployment among women in Tunisia is one of the highest in the world. In 2012, this number reached 26.9 per cent, compared to the global average of 6.5 per cent.

In February 2012, there was a significant increase in unemployment among women graduates - 49.4 per cent, compared to 21 per cent for boys with equivalent qualifications. Indeed, more women on the job market would have contributed to GDP by 7 per cent, according to the draft national employment strategy (2013-2017) presented on 14 January 2013.

2014: year of recovery?

New constitution, new government, new prospects

The most salient and even crucial event for the country, in recent times, was the finalization and adoption of its new constitution on 26 January2014[10]. This foundation text lays the groundwork for democracy that respects the rights and liberties of all citizens and provides for freedom of speech, freedom of information and freedom of conscience. It also provides for a dual executive, limits the role of religion and in an unprecedented move, compels the State to guarantee the representativeness of women in elected assemblies.

The arrival of a new government team, at the end of January 2014, made up of selected figures, considered to be independent and apolitical, marked a turning point, which, according to the leader, "was based on three criteria: competence, independence and integrity".

With this new constitution and a government made up mostly of independent technocrats, whose mission is to straighten out the most pressing economic and social issues and organize legislative and presidential elections in 2014, Tunisia seems to be better equipped to head towards the completion of the political transition that started with the revolution in January 2011. These recent institutional gains offer prospects for the return of investor confidence, improvement of the country's sovereign rating and reduction in the borrowing rate on the international market.

Will the long downward rating ever end?

The political and security instability that followed the Tunisian revolution had a negative impact on its sovereign rating. The sovereign credit ratings carried out by the four rating agencies all put the country in the speculative category. The country was downgraded from the investment-grade rating with a positive outlook in January 2011 to the speculative category, with a negative outlook at the end of 2013, by the four international rating agencies: Standard & Poor's, Moody's, Fitch and Rating and Investment Information, Inc. (R&I). The following table shows the trend in ratings given by these agencies during the period mentioned.

Downgrading of the sovereign credit rating of Tunisia from January 2011 to January 2014

Agency	Rating in January 2011	Rating in late 2013	No. of downgrades
Standard & Poor's	BBB/Stable	B/Negative (19/12/13)	6
Moody's	Baa2/Stable	Ba3/Negative (25/11/13)	4
Fitch	BBB/Stable	BB-/Negative (30/10/13)	3
R&I	A-/Stable	BBB-/under surveillance (27/11/13)	2

In early 2014, the country decided to temporarily suspend the rating by Standard & Poor's, which had given it the worst rating in the past few years, putting it, prior to the suspension of the rating,

10 Passed on 9 February 2014, in the presence of many foreign invited guests

in the "highly speculative" category, with a negative outlook. This trend had a negative impact on the country's access to international financial sources, because of the correlation between the level of the rating and that of the remuneration required by investors.

The decision by the Central Bank of Tunisia, in early 2014, to exclude Standard & Poor's from the sovereign rating, allowed the country to maintain only the ratings of Moody's, Fitch and R&I on the global financial market, above the "highly speculative" rating, although they all gave a negative outlook or "under surveillance". According to a communiqué by the World Bank, the reduction in the number of agencies rating the sovereign risk of Tunisia makes it possible to have a rational distribution of the relations between the Central Bank and the agencies, based on their geographical location. The sovereign risk of Tunisia is rated by the American agency (Moody's), the European agency (Fitch Ratings) and the Japanese (R&I).

Since the adoption of the new constitution by the National Constituent Assembly, however, there is renewed confidence among the country's major partners, most of which have commended this major stride made in the democratic transition of the country. The African Development Bank reiterated its willingness to continue its support to Tunisia, to enable the country to overcome its difficulties. It said that advancing the democratic process could encourage the rating agencies to upgrade the country's ratings.

In the current ratings, access by the Tunisian economy to external financing is limited to the possibilities offered by bilateral cooperation, in the form of debt relief (envisaged by France at one time) or in the form of new support (United States of America, Canada and the Arab countries). Following the encouraging announcements made in the aftermath of the revolution, the traditional donors took long in fulfilling their promises, as they closely monitored the democratic strides made by the country.

The recent positive development in the transition should help speed up the return of partners and donors. The announcement by the IMF in late January 2014 of the release of a $506 million loan, after several months' delay, due to the political instability in the country, should be followed by the rapid transfer of the balance of the $1.7 billion aid plan granted in June 2013 to Tunisia for its political transition, and should also have an impact on the sovereign rating of the country, thereby reducing the cost of financing the recovery.

In February 2014, the World Bank announced a $1.2 billion programme to "support the democratic transition". France and Tunisia are currently negotiating a 500 million euro loan. Also, in early May 2014, neighbouring Algeria signed a financial agreement of $250 million, in the form of non-refundable financial assistance ($50 million), a deposit of $100 million with the Central Bank of Tunisia and a loan of $100 million. These announcements should also help attract new partners from the Gulf States, to which Tunisia had presented, in early May 2014, projects requiring investments to the tune of TND 5 billion (slightly over $3 billion).

Prerequisites

The economic outlook for 2014 is rather encouraging, with growth forecasts of 3.8 per cent[11], especially as a reduction of the budget constraint should afford the Government more leeway to carry out an expansionist policy. New ways are being explored to diversify partnerships, as Tunisia has declared 2014 as the year for Africa.

There are prerequisites, however, for consolidating and sustaining the recent strides made. Building a relation of trust between decision-makers and citizens is a real challenge. The elections slated for 2014 should help assess the success of the democratic transition and institute a more reliable and transparent system of governance that would meet the expectations of the people, who had risen up in arms on 14 January 2011.

A more reliable statistical system

As a first step toward building this relation of trust, there must be technical and legislative reform of the national statistical system, to make it independent and restore its credibility, which had been severely shaken since the revolution. The national statistical system is mainly governed by the 1999 statistics act, which guarantees the scientific independence, impartiality and objectivity of statistics, as well as the right of access to information and preservation of statistical secrecy. In actual fact, however, the system is not independent of the political and administrative bodies or other organizations and lobby groups.

There must be safeguards to ensure that the true picture is given, so that official discourse is based on actual circumstances. Technically, it is important to develop statistical production and analysis capacity for more targeted approaches, as in the case of identifying disparities, for instance. If a quick look at the economic and social performances of the country could lead to terming them as good and/or advancing, a more detailed study, based on disaggregated data, would have revealed the deep and quite often unbearable disparities in gender, age, income, education and geographical location. These disparities are at the core of the grievances leading to the events of December 2010 to January 2011, as the average values of many indicators had often belied actual situations, which are often critical. A detailed study would also have helped to avoid the major international institutions not awarding full marks to Tunisia, having been misled in their interpretation of country data, and only reviewing their reasons some years later, after having had access to more precise data.

A much-needed structural transformation

This recovery can be achieved through better and more efficient use of public expenditures and also accelerated and far-reaching economic reforms, which will fosterinvestor confidence. While Tunisia has all the potential for development, reforms must continue to enhance the strong value-added sectors. Modernizing agriculture and developing energies should make for improved use of natural resources.

11 United Nations Department of Economic and Social Affairs

The economy of Tunisia underwent a three-phased industrialization process. The first phase, following independence, entailed nationalizing production units and creating heavy industry. This policy led to major investment, mainly by the State, in a bid to build a basic industrial network as a substitute for imports.

The second phase, which took place in the 1970s and 1980s, reflected the Government's clear willingness to pursue a liberal policy, focused on developing export industries.

The third phase, which began in the middle of the 1990s, saw the start of a new investment incentives scheme, aimed primarily at stimulating investment in high-tech and export-oriented industries, alongside the free trade agreement signed with the European Union, the country's leading financial partner in 1995. Three major programmes were implemented to raise the competitive edge of enterprises by restructuring and modernizing the private sector. First was the upgrade programme, under the 1996-2001and 2002-2006 development plans, intended to help the private sector by providing access to technical assistance and training and through investment incentives. Second was the industrial modernization programme (2003–2008), designed to boost business productivity and thereby, competitiveness, by focusing on intangible investment. Third was the programme to support the competitiveness of enterprises and facilitation of market access, from 2010 to 2013, designed to enhance the capacity of the country's industry to cope with the standards and quality requirements of the European market.

In the same vein, other initiatives were implemented to trigger a new industrial development momentum. These include the 72-83 law on export promotion and the investment incentives code, which offered a range of tax incentives to attract foreign direct investment. Also, the Government adopted a new industrial policy, dubbed "Horizon 2016". Its goals for 2016 are to double exports, triple industrial investments and raise the share of technology in industrial exports from 25 per cent to 50 per cent. These programmes and initiatives, coupled with changes in the overall thrust of the economic policy, with a consistent focus on industrialization since independence, have played a key role in the economic transformation and social development of the country. Industrial policy development lies with the Ministry of Industry, while export promotion policy lies with the Ministry of Trade and Crafts. Both ministries coordinate their strategies with the Ministry of Development and International Cooperation. In addition to these three ministries, the institutional network for implementing industrial policy includes non-governmental organizations and institutions, as well as agencies jointly managed by the public and private sectors.

Tunisia must continue to seek to diversify production and ensure better value added, so as to ensure supply of jobs to reconcile market requirements and meet the expectations of young graduates. The structural transformation should be accompanied by genuine reform of the banking sector, which is still fragile and grappling with numerous problems and malfunction. It must also integrate two ongoing strategic components: strengthening the digital economy (with the recently announced Tunisia digital 2018 plan) and transition to green economy.

A more convincing regional integration

Lastly, the issue of enhancing regional integration in the Maghreb must remain a priority for Tunisia and an essential component of this development strategy, centred on the trade liberalization agreements and related cooperation (free trade areas, free movement of persons, labour migration, inter-State transit-transport and investments).The country is a stakeholder in several regional agreements such as treaties of the Arab Maghreb Union and the Community of Sahel-Saharan States (CEN-SAD), the Greater Arab Free Trade Area (GAFTA) and the Agadir Agreement, which institutes a free trade area with Morocco, Egypt and Jordan. Tunisia also negotiated the free trade area with the West African Monetary and Economic Union (UEMOA)and recently took steps toward a similar exercise with Cameroon.

This open policy, the relative diversification of the manufacturing sector and geographical position of the country, all give Tunisia a dominant position in intra-African trade in North Arica, with 23 per cent of the $10 billion worth of goods traded in 2012 and 40 per cent of exports within AMU[12].This trade accounts for only 13.4 per cent of the country's total exports ($17.1 billion in2012). The delay in the process to adopt and operationalize the AMU free trade scheme, the failure to ensure AMU-wide implementation of the GAFTA/Arab League agreement and other bilateral agreements, such as the simulation exercise of intra-Maghreb trade potential, with Algeria and Mauritania, using the gravity model, [13]show the existence of bigger export opportunities for Tunisia, provided the tariff and non-tariff barriers are removed.

12 Subregional Office for North Africa. Report on integration in North Africa, November 2013 and UNCTAD database, 2013

13 ECA, 2012. Regional integration and development of intra-regional trade in North Africa: What potential trade? November 2012