Tunisia trims controversial trade deficit with Turkey by taxing imports

Lamine Ghanmi

Tunis

Tunisia slightly reduced its trade deficit in January after authorities imposed new custom duties on Turkish products for the first time in seven years.

The decrease was marginal given the scope of Tunisia's economic woes. It was a sign that new policies, which include rebalancing the country's economic partnerships and diplomatic priorities, were making headway.

The move was signed off on by Tunisian President Beji Caid Essebsi despite opposition from the Islamist Ennahda party, a partner in the country's coalition government that has close ties with Turkey's ruling Justice and Development Party.

Tunisia's trade deficit with Turkey is its third largest, behind China and Italy. In 2017, the imbalance accounted for 12% of Tunisia's trade gap. The mounting deficit became controversial as secularist groups blamed Islamist influence since 2011 for being a factor in increased imports from Turkey.

Protecting textiles. Tunisian female workers at an apparel factory in Sfax. (Reuters)

Ennahda opposed the calls for curtailed Turkish imports and criticised the new measures as unfairly discriminatory against Turkey. Tunisian Islamists often tout Turkish President Recep Tayyip Erdogan's economic policy as a model for Tunisia.

Tunisia's trade deficit with Turkey grew from approximately $208 million in 2010 to more than $707 million in 2017, Tunisian government figures indicated.

Turkish imports – from sunflower seeds to dried figs to wedding dresses – are popular in Tunisia. They are often described by traders as higher quality than Chinese products and cheaper than the Tunisian equivalents. However, their effect on the Tunisian economy has been devastating to some industries, causing farming acreage to shrink and factories to shut down.

"Farmers in Beja, Mateur and Bizerte incurred huge losses because of the imports of Turkish sunflower seeds. Sunflower farmed areas shrank from 24,000 hectares in 2011 to 4,000 hectares in 2016 with the number of working days falling from 180,000 to 6,000," said Naceur Amdouni, a farmer who heads the local branch of the country's farmers' union. "Why do they undermine a culture that benefits the soil and the farmers by importing such seeds?"

Another industry that has been hit hard by the trade imbalance is textile, which has seen 300 enterprises close and 40,000 workers lose jobs in the past seven years, trade union officials said.

Tunisia has about 1,800 textile factories employing more than 200,000 workers, the majority of whom are women. Around 1,000 enterprises specialise in exports.

In 2011, when Tunisia's Trade Ministry was controlled by Ennahda, Turkey began importing products such as timber, construction material and sunflower seeds, which are outside the scope of a 2004 trade agreement between the two countries.

When that agreement was signed, Tunisia was eyeing Turkey's $100 billion market to expand exports and balance trade. It imported fabric from Turkey, transforming it in Tunisian textile plants to products sold in Europe.

In 2001, however, the Tunisian market was flooded by Turkish products of all sorts.

Tunisia's trade deficit with Turkey grew from approximately $208 million in 2010 to more than $707 million in 2017.

"A deep deficit with Turkey came into the open after 2011," said Tunisian economists Mariem Brahim and Fakhri Korbi in an analysis paper. "It should be noted that the overfilling deficit with Turkey is caused mainly for 2015 by the increase of imports of clothes and other products for local consumption."

"On one hand, these imports do not contribute to the economic development and, on the other hand, their equivalents are available on the local market," they added.

In December, Tunisia's parliament voted to raise taxes on Turkish imports by up to 27%. Members of Ennahda walked out during the vote to protest the legislation, which went into effect January 1.

On February 6, the government noted the trade deficit was down 83% in January compared to the same period last year.

A dark 2017 for small Moroccan enterprises

Saad Guerraoui

Casablanca

More than 8,000 Moroccan companies declared bankruptcy in 2017, prompting the head of the confederation of very small, small and medium-sized enterprises to urge the government to heed his call to address conditions creating hardships for smaller businesses.

Most of the 8,088 Moroccan companies that went bankrupt last year were small and medium-sized companies (SMEs), resulting in a loss of more than 40,000 jobs, a study by the business intelligence website Inforisk said.

While 90% of the companies declared themselves in liquidation, 10% went into receivership. The sectors most affected were commerce, construction and real estate. The overall bankruptcy figure was 8.5% higher than in 2016 and three times the number of company failures registered in 2009, the study reported.

Abdellah el-Fergui, president of the Confederation of VSE/SMEs, estimated that the real number of companies filing for bankruptcy protection was more than 10,000 in 2017.

"Almost 4,000 firms declared bankruptcy in the first trimester of 2017 alone," he said. "Plenty of VSEs are dormant too waiting for their financial situation to improve.

"Morocco is not doing enough to support VSE/SMEs compared to other neighbouring countries, such as Spain. These firms represent 98% of the country's productive fabric but, unfortunately, they have been left out by the government."

"Two years of local and parliamentary elections have taken their toll on many VSE/SMEs as payments have been delayed, sending dozens of VSEs into liquidation," he said.

More than 8,000

Moroccan companies declared bankruptcy in 2017.

The 5-month political deadlock in Morocco after elections in October 2016 postponed the approval of the 2017 budget, a delay that affected the country's economy.

Fergui said the government should reform the labour code, which he said was not adapted to VSE/SMEs.

"Many companies are being sued by their employees and slapped with hefty fines that deeply affect their financial resources," he said.

Fergus has made many recommendations to Moroccan Prime Minister Saad Eddine El Othmani to overhaul the sector and boost VSE/SMEs.

"We warned Othmani that 2017 would be a critical year for VSEs and called for a 2-year fiscal amnesty to allow them to participate in tenders," he said.

Tax authorities in January announced the total or partial cancellation of penalties, fines, surcharges and recovery costs related to duties and taxes assessed before January 1, 2016, and which remained unpaid as of December 31, 2017, in accordance with the 2018 Finance Act.

Those concerned may benefit from a 50% reduction, provided they pay the remaining 50% by December 31, 2018.

Fergui said the measure was not enough to help firms through the financial difficulties.

"We asked the government to give certificates to companies, which owe outstanding payments and fines to the tax authorities and the national social security fund, to take part in the tenders but our request was not met," he said.

Since the appointment of Moulay Hafid Elalamy as Investment, Trade and Digital Economy minister in 2013, Morocco has focused on large projects in the aeronautics and automotive sectors, among others, luring big multinational companies and parts suppliers. That policy left behind the VSE/SMEs, the backbone of the North African country's economy.

In 2014, Elalamy set out an industrial acceleration strategy to create a new relationship between large firms and SMEs that would give the latter "security, sustainability and perspective."

"The main challenge is to instil in SMEs an approach of innovation and improvement of quality by offering these companies access to investors, financing and markets," he said at the time.

Fergui said VSE/SMEs did not benefit from the large projects "because multinationals have their own suppliers."

"The government still has not done anything for VSE/SMEs to integrate them within this industrial development despite the launch of a strategy for VSEs in 2013," he said. "The industrial acceleration strategy has so far benefited only the big firms."

Saad Guerraoui is a contributor to The Arab Weekly on Maghreb issues.

Briefs

Egypt inflation falls to lowest levels since currency float

Egypt's annual inflation rates dropped in January to their lowest levels since the country floated its currency in November 2016, official data indicated.

The Egyptian pound lost half of its value and prices shot up after Egypt floated the currency in November 2016 to secure a $12 billion International Monetary Fund deal to revive its economy.

Annual urban consumer price inflation eased to 17.1% in January from 21.9% in December. Annual core inflation, which strips out volatile items, fell to 14.35% from 19.86%.

(Reuters)

UNICEF appeals for $17 million to rebuild Iraq health facilities

The UN Children's Fund appealed for $17 million to help rebuild Iraq's health facilities, ahead of an international conference to support the country's reconstruction due to convene in Kuwait.

The UN agency said as many as 750,000 children lack access to health services in the region of Mosul, seven months after Islamic State militants were driven out from the city.

(Reuters)

Jordan approves construction of Iraq oil pipeline

Jordan has given the green light for the construction of a pipeline to move oil from southern Iraq to its port of Aqaba, a government spokesman said.

In 2013, the neighbouring countries agreed on the idea of the 1,700km pipeline to run from Basra to the Red Sea port at a cost of $18 billion.

(Agence France-Presse)

Saudis award contracts to build palaces in new business zone

The Saudi government has begun to award contracts for the development of a huge business zone in north-western Saudi Arabia, asking local construction companies to build five palaces there, sources said.

Saudi Crown Prince Mohammed bin Salman bin Abdulaziz announced plans for the 26,500 sq.km zone, known as NEOM, at an international investment conference in Riyadh last October. Officials said public and private investment in the area was expected to total $500 billion.

Palaces for the king, crown prince and other senior royals on the Red Sea coast about 150km west of Tabuk, are among the first contracts awarded for NEOM, said the sources who declined to be named as an official announcement has not yet been made.

(Reuters)