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KINGDOM OF MOROCCO

King.....Hassan II
Prime Minister.....Karim Lamrani, Mohammed
Minister of State.....Osman, Ahmed
Minister of State.....Bouabid, Maati
Minister of State.....Bouabid, Abderrahim
Minister of State.....Bahnini, Hadj M'hammed
Minister of State.....Boucetta, M'hammed
Minister of State.....Aherdane, Mahjoubi
Minister of State.....Alaoui, Moulay Ahmed
Minister of State.....Jadidi, Mohamed Arsalane el
Minister of Cooperation.....Radi, Abdel Quahed
Minister of Foreign Affairs.....Belkziz, Abdelouahed
Minister of Planning, Cadre
 Training & Vocational Training.....Douiri, M'Hamed
Min. of Agriculture & Agrarian
 Reform.....Demnati, Othman
Min. of Commerce, Industry & Tourism.....Guessous, Azzedine
Min. of Cultural Affairs.....Belbachir, Said, Dr.
Min. of Energy and Mines.....Saadi, Moussa
Min. of Equipment.....Kabbaj, Mohamed
Min. of Finance.....Jouahiri, Abdellatif
Min. of Housing & Land Management.....Lahlou, M'Faddel
Min. of Information.....Filali, Abdellatif
Min. of Interior.....Basri, Driss
Min. of Justice.....Alaoui, Moulay Mustapha Belarbi
Min. of Labor & National Training.....Zahidi, Moulay Zain
Min. of National Education.....Laraki, Azzedine, Dr.
Min. of Ocean Fisheries & Merchant Marine.....Smili, Bensalem
Min. of Posts & Telecommunications.....Ansar, Mohamed el
Min. of Public Health.....Rahal, Rahali, Dr.
Min. of Relations with Parliament.....Belhaj, Ahmed
Min. of Religious Endowments & Islami
 Affairs.....Filali, Hachemi
Min. of Traditional Industry & Social
 Affairs.....Fassi, Abbes el
Minister of Transportation.....Ben Ali, Mansouri
Min. of Youth and Sports.....Semlali, Abdellatif
Min. Delegate in the Prime Minister's
 Office.....Ghallab, Abdelkarim

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Political and Economic Trends in Morocco

Among the North African countries, Morocco's history has the greatest continuity. The dynasty of King Hassan can be traced back to the seventeenth century and the monarchy itself has existed with only brief interruptions since the ninth century. This continuity has a powerful influence on contemporary Moroccans, the majority of whom have strong allegiances to their King as the nation's religious and political leader and have been relatively undemanding with regard to major economic and political reform. In the wake of two attempted military coup d'etat in the early 1970s, King Hassan has ruled much more attentively, demonstrating both skill and ruthlessness in dealing with potential opposition and competing interest groups. His relatively secure position at home has allowed the King to play an active role in Middle East politics where he has been a voice for moderation and a reliable friend of the United States. Although the majority of Moroccans seem satisfied with King Hassan's rule, he is likely to face great problems over the next several years as a result of a deteriorating economy, high expectations among a burgeoning, youthful population, and a costly and seemingly unwinnable war in Western Sahara.

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Morocco's "Democratic Experiment"

Shortly after independence from the protectorate powers of France and Spain in 1956, King Mohammed V--Hassan's father--began what has become known as the country's "democratic experiment."

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From a series of constitutions--the most recent promulgated in 1972--the structure of a constitutional monarchy has evolved complete with a parliament, political parties, and local governments elected by universal suffrage. In fact, the King's powers remain all embracing and what constitutinal restraints there are have been periodically abridged by the King's imposition of emergency powers. [REDACTED]

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The Moroccan parliament sits for a six-year term and is composed of a single chamber, two-thirds of which is elected by direct universal suffrage. The other third of the membership is selected by local councils and trade, artisan, and labor organizations. Local governments are elected and hold considerable power in the conduct of day-to-day activities affecting the average citizen. Provincial governors are appointed by the King. [REDACTED]

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The King's authority and his manipulation of Morocco's political system have prevented the formation of political institutions with enough power and credibility to restrict Hassan's ability to make all major decisions. The small Socialist Union of Popular Forces, Morocco's only credible opposition party, in recent years has had its activities severely restricted. The token pro-Soviet communist party--Party of Progress and Socialism--is fairly tame but does have a significant following in youth and intellectual circles. [REDACTED]

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Predominance of the Monarchy

King Hassan II--who is 54 years old--is the epitome of a

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traditional Moroccan monarch. He is a highly self-confidant and paternalistic leader who believes he is uniquely qualified to determine what is best for his country. Hassan feels a strong commitment to perpetuate the Moroccan monarchy--the oldest reigning dynasty in the Arab world--and any challenge to his leadership intensifies his determination to succeed in carrying out his inherited role. [REDACTED]

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The King's style of rule is based on the adroit manipulation of competing interest groups through divide-and-rule tactics. Hassan's considerable skills in political manipulation have enabled him to maintain the upper hand. Nevertheless, faced with complex issues such as the Moroccan economy, where Hassan lacks technical knowledge, he sometimes overvalues his own opinion, according to a US Embassy report. [REDACTED]

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Hassan, in addition to his role as head of state and Supreme Commander of the Armed Forces, has a unique position of leader of Morocco's Islamic community based on tradition and further legitimized by the country's constitution. Further strengthening the King's position is the popular belief that he possesses baraka, an aura of holiness which is seen as the manifestation of divine grace transmitted through the Prophet's descendents, enhancing the mystical regard that thousands of rural and poorly educated Moroccans have for the monarchy. [REDACTED]


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Following two military coup attempts in 1971 and 1972 led by personally ambitious senior officers, Hassan abolished the position of Minister of Defense and assumed direct control of the military as chief of general staff. Although the military has


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regained some of its lost prestige, the armed forces remain an object of palace suspicion; officers' activities are closely watched; the military's combat capability is restricted; and command and control at the top rests with the King. 

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Hassan, who personally controls foreign policy, often leaves domestic affairs to various ministries and government technocrats. According to US Embassy reports, Morocco is a relatively open society, and free discussion of most subjects--except Islamic religion and the monarchy--occur on a daily basis in a variety of newspapers, most of which are political party organs. Although advanced censorship is forbidden, the distribution of some publications occasionally has been prevented, in particular when articles critical of the King appear. Morocco's major labor unions are active in defending worker interest, and the judicial system, which answers only to the King, is efficient. 

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Although the King appears secure for the near term, Hassan faces growing domestic challenges. Deteriorating economic conditions coupled with rising expectations among the burgeoning and youthful population, are sources of popular discontent. There is restiveness among students, the labor movement, and some Islamic fundamentalists who are searching for issues on which to challenge the King. Morocco's military and security forces appear loyal, but there is some dissatisfaction among younger officers over the poor quality of senior leaders. Although the King has shown considerable skill in managing opposition, the possibility of a challenge by small, disgruntled elements of the

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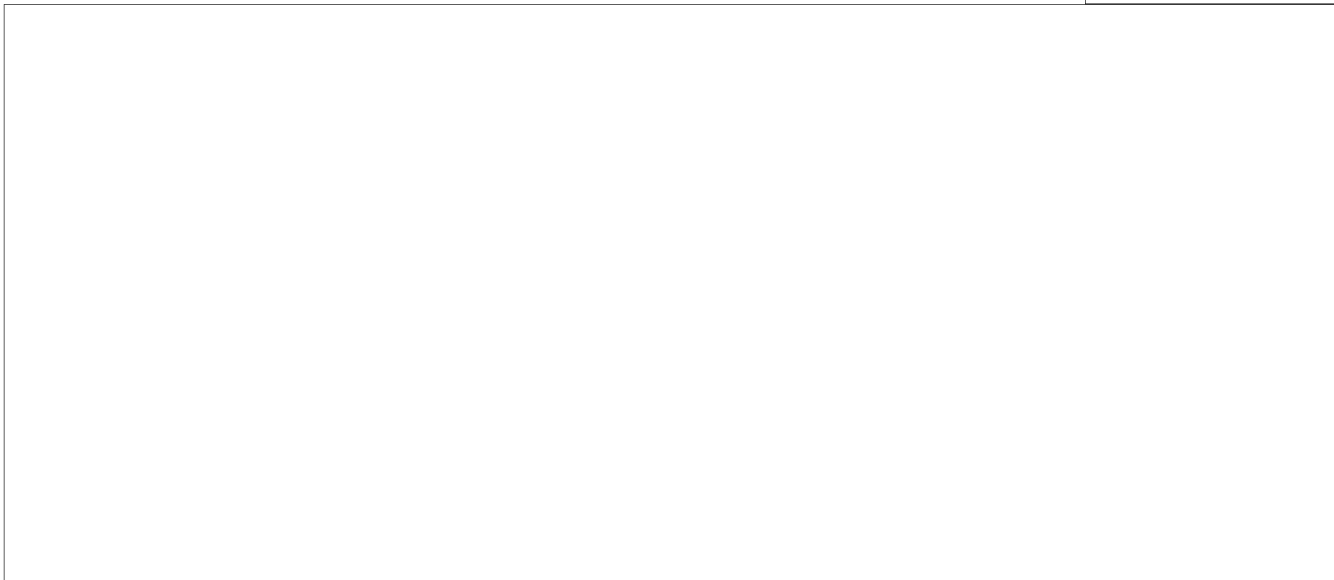
military, as in the early 1970s, or of religious extremists moving against Hassan cannot be ruled out. 

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Hassan's son, 20-year-old Crown Prince Sidi Mohammed, is the designated heir to the throne. Sidi Mohammad's selection has been approved by the religious leaders of the country and is in accordance with the current Moroccan constitution. He has been groomed since childhood to assume control of Morocco. 

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Foreign Policy and the King

Hassan personally plays the central role in the formulation of Moroccan foreign policy--at times at the expense of timely attention to domestic issues. His moderate position on most issues often parallel or coincide with those of the United States and the West in general. 

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The King espouses a strong identification with Arab causes, especially the struggle to recover Palestine. Hassan, for example, was host to an Arab summit in 1974 that laid the ground work for Islamic bloc votes in the United Nations in favor of the

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Palestine Liberation Organization, and he contributed troops to the Arab-Israeli war in 1973. The King was chairman of the Arab League from 1981 to 1983 and heads its Fez Middle East peace committee. Hassan also chairs the Islamic Conference Organization's Jerusalem committee. [REDACTED]

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France is Morocco's principal trading partner and a primary source of financial assistance, and Rabat depends heavily on Paris for arms and military training. The French also have considerable investments in Morocco. Nevertheless, there was a noticeable cooling of relations following the election of the French socialist government in 1981. The relationship has improved since President Mitterrand's visit to Morocco in early 1983, and Rabat appears to accept Paris' attempts to balance its relations with Morocco while improving ties with Algeria. [REDACTED]

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Rabat looks to the United States as a strong friend, along with France and Saudi Arabia. The King, during a visit to Washington in May 1982, approved a Moroccan-US access and transit agreement for US Rapid Deployment Forces. US-Military assistance--primarily FMS loans--increased sharply to \$101 million in Fiscal Year (FY) 1983 with \$91 million requested for FY 1984. Economic assistance totalled \$48 million last year with \$61 million requested for FY 1984. Credits and guarantees provided by the Commodity Credit Corporation of \$197 million in FY 1983 probably will be the same or higher in FY 1984. Combined US economic assistance accounted for about 20 percent of the foreign assistance received by Rabat in 1983. Banks in the United States hold about 20 percent of the nation's \$3 billion in

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[REDACTED]

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outstanding commercial debt. [REDACTED]

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Improved US-Moroccan ties in recent years have been well received, but some Moroccans are beginning to question the value of closer relations with the United States as their expectations for military assistance and other benefits from the access agreement remain unfilled. Furthermore, if Morocco continues to cultivate closer ties with Algeria and Libya in the current Maghreb unity effort, Rabat may feel compelled to be more discreet in its relations with the United States--especially in military matters. [REDACTED]

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The eight-year-old dispute over Moroccan claims of sovereignty in Western Sahara is Rabat's most serious foreign policy concern. Hassan has made the Sahara question one of royal prerogative, not only because he is charged constitutionally with wide powers in national security, but because the historical foundation of Morocco's claim to Western Sahara is based on the traditional oath of fealty to the Sultan of Morocco sworn by Saharan tribes. For most Moroccans, according to a US Embassy report, the central issue is ensuring the continuing loyalty of Saharan subjects, despite the disruptive efforts of "mercenaries"--read Polisario Front--aided by Rabat's neighbors. Although acquisition of the Sahara remains a popular cause among Moroccans, the seemingly "unwinnable" war could eventually cause domestic trouble for the King and further divide the Organization of African Unity if a solution is not found. [REDACTED]

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The Economy

Morocco is endowed with extensive water resources and arable land. The nation controls about two-thirds of proved world phosphate resources and the fourth largest deposits of oil shale. Little tapped fishery resources rank as some of the richest in the world. The existing economic infrastructure rivals any in Africa. Despite these resources, rapid population growth and severe financial constraints have limited the development of Morocco's economic potential. [REDACTED]

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The economy has not rebounded from the slowdown brought about by the three-year (1978-80) austerity plan and changing international and internal economic conditions. Mounting financial strains stemming from overly ambitious government spending during the 1973-77 development plan and the collapse of the phosphate market in 1976 forced Rabat to shift gears and adopt a less ambitious development program. While austerity measures helped reduce the nation's trade and budget deficits, they hit the modern sector of the economy especially hard. Slow economic growth has produced escalating unemployment. Wage increases have failed to keep pace with double-digit inflation.

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[REDACTED]

Real GDP growth averaged only 2.7 percent since 1978 in sharp contrast with the 7 percent growth of the previous five-year period and about equal to the rate of population increase. The phosphate industry, the nation's largest foreign exchange earner, has been especially hard hit. Soft market conditions forced Rabat to sharply trim its phosphate rock prices since


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1981. As a result, foreign exchange earnings from rock exports have declined by over 25 percent. Despite these setbacks, plans are progressing to expand domestic production capacity with a goal of converting 30 percent of phosphate rock annually into refined products by 1985. 

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Growth in agricultural production of about 1.5 percent annually has failed to keep pace with the needs of Morocco's rapidly growing population. Poor performance in agriculture because of recurring drought, and especially the severe drought in 1981, is a contributing cause of the nation's economic plight. With the livelihood of about half of the population dependent on agriculture, the drought's impact has been widespread. The rural exodus has increased dramatically. Financing large grain imports has severely taxed Rabat's national budget and foreign payments position and consumed a large share of available foreign financing. 

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The severity of recent droughts means that even with a return of favorable weather it will take several years to restore the agricultural sector to its predrought position. During this period, heavy grain imports will be required to allow farmers to rebuild depleted grain stores and livestock herds. 


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Heavy defense expenditures also have contributed to the economic malaise. Defense-related expenditures have accounted for an estimated 40 percent of national operating budgets in recent years. While the cost of the Saharan conflict has largely been defrayed by Saudi Arabian assistance totaling as much as a billion dollars annually in recent years, it draws attention and


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other resources from pressing economic concerns. 

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Morocco's foreign payments position has deteriorated sharply in the wake of declining export earnings, drought-induced grain imports, and the substantial depreciation of the dirham against the US dollar. Current account deficits have increased from \$1.3 billion in 1978 to \$1.8 billion in 1983. This condition has again forced Rabat to stiffen austerity measures. Along with these measures the government has undertaken efforts to reschedule some of its burdensome foreign debt which consumes about half of annual export earnings in service payments. 

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The nation's five-year development plan (1981-85) has suffered a serious blow because of the foreign exchange shortage and is in danger of being scrapped. Investment under this plan is far behind schedule. The phosphate industry has received priority over spending in the manufacturing and mining sectors.



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Outlook


Although the nation has significant potential for development, financial difficulties will remain acute for at least several years and will require that the King devote more of his attention to the economy. With large current account deficits persisting through 1986, the government will be hard pressed to launch most aspects of its development plan. Economic growth will be slowed by the austerity program, and unemployment will remain a troubling issue. Even with renewed access to IMF loans and a partial rescheduling of the foreign debt, the nation's tight financial position will serve to increase

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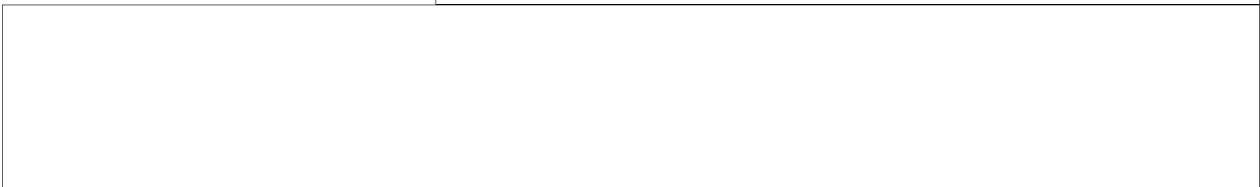
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dependence on foreign aid--particularly from Saudi Arabia. Should US assistance not meet Rabat's expectations or if economic growth declines sharply, closer US-Moroccan ties could become the focus of concern among dissatisfied elements--including the military. 

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King Hassan II, faces growing prospects for domestic unrest under these economic circumstances. Deteriorating financial conditions coupled with rising expectations among the youthful population--one-half under 20 years-old--are key sources of discontent. Hassan is not, in our opinion, blind to these problems and the potential political difficulties that may be ahead. Although the King faces the likelihood of popular outbursts and may have to rely more heavily on the country's relatively efficient security forces to maintain order, we believe that Hassan is secure for the near term. Nevertheless, King Hassan, like the late Egyptian President Sadat, could fall victim to a religious fanatic or a small disgruntled group with little or no warning. 

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REPUBLIC OF TUNISIA

President.....	Bourguiba, Habib
Prime Minister.....	Mzali, Mohamed
Special Adviser to the President.....	Bourguiba, Habib, Jr.
Min. of Agriculture.....	Ben Osman, Lassad
Min. of Culture.....	Ben Slama, Bechir
Min. of Family & Women's Advancement.....	Mzali, Fathia
Min. of Finance.....	M'Barka, Salah Ben
Min. of Foreign Affairs.....	Caid es-Sebsi, Beji
Min. of Higher Education & Scientific Research.....	Ben 'Dhia, Abdelaziz
Min. of Housing.....	Amor, Moncef Bel Hadj
Min. of Information.....	Kefi, Abderrazak
Min. of Interior.....	Guiga, Driss
Min. of Justice.....	Chaker, Mohamad
Min. of Natl. Defense.....	Baly, Slaheddine
Min. of Natl. Economy.....	Sfar, Rachid
Min. of Natl. Education.....	Chedli, Mohamed Fredj
Min. of Plan.....	Khelil, Ismail
Min. of Public Health.....	Touhami, Habib
Min. of Pubic Works.....	Ben Jomaa, Sadok
Min. of Social Affairs.....	Ennaceur, Mohamed
Min. of Tourism & Handicrafts.....	Chelbi, Ezzedine
Min. of Transport & Communications.....	Khouaja, Brahim
Min. of Youth & Sports.....	Kraiem, Mohammed
Min. Attached to the Prime Minister.....	Kooli, Mongi
Min. Attached to the Prime Minister for Civil Service & Admin. Reform.....	Chekir, Mezri
Sec. of State for Health.....	Yaacoubi, Souad

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Political and Economic Trends in Tunisia

Habib Bourguiba has been Tunisia's President since the country gained independence from France in 1956. Under his leadership, Tunisia has experienced remarkable economic growth despite its narrow resource base, its limited markets, and a shortage of investment capital. Bourguiba's prestige and keen political acumen have discouraged serious challenges to his authority during this period. His policy of friendship with the West has gained Tunisia a large measure of protection from its larger, better-armed neighbors, Libya and Algeria. [REDACTED]

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Despite these achievements, Tunisia will face unprecedented challenges soon. Bourguiba -- 80-years old [REDACTED] -- is nearing the end of his rule. His paternalistic, but authoritarian style has stifled demands among increasingly well-educated Tunisians to liberalize the country's political system. Rapid modernization and improvements in the standard of living have generated unrealistically high expectations for prosperity and opportunity among all classes of Tunisians-- including the country's youth, who comprise over 70 percent of the population. An increasing number of Tunisians have responded to the dislocations of rapid social change by embarking on a search for their cultural, linguistic, and religious identity. These developments have weakened the institutional fabric of political life in Tunisia and increased the chances for instability in the post-Bourguiba era. [REDACTED]

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Bourguiba's Tunisia

Habib Bourguiba has been at the forefront of Tunisian politics for almost fifty years. The prestige and power that have accrued to him for his role in leading Tunisia's drive for independence have secured his predominant position in Tunisian politics. 

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Bourguiba is a consummate politician who has dedicated his life to steering Tunisia on a path consistent with his own values and vision of Tunisia's future. He has sought to avoid coercion and repression and to blend pragmatism and rapid change. In doing so, however, his avowedly secular policies have largely ignored the Arab-Muslim character of Tunisian society, contributing to a malaise caused by the disruption of traditional values. 

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Bourguiba's genius has been his ability to make Tunisia's closed political system work for nearly 30 years behind a democratic facade. Bourguiba has presided over the drafting of a constitution, sponsored elections, created political institutions and, in 1976, regularized the procedures for succession. Under Bourguiba, a modern political party -- the Destourian Socialist Party, successor to the Neo-Destour Party founded by Bourguiba in 1934 -- became a key source of legitimacy for the regime. 



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Bourguiba, however, has until recently retained a stranglehold on power. He has replaced cabinet ministers at will and severely limited the political independence of even his most trusted subordinates. Although Tunisia's National Assembly and

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President are elected concurrently every five years, an amendment in 1974 named Bourguiba President for life. Bourguiba also was accused,  of interfering in Tunisia's November 1981 election to ensure the appointment of his favorites to the legislature. 

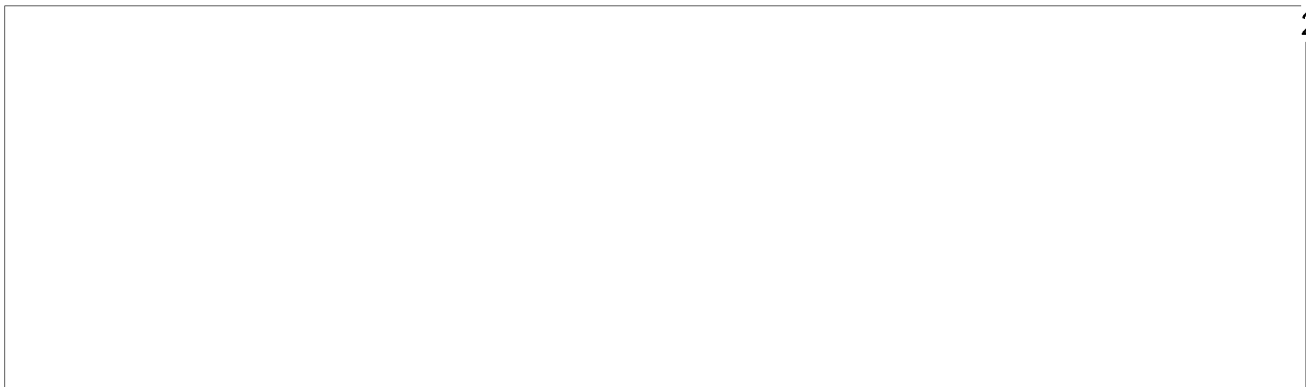
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Except for the politically insignificant Communist Party, Bourguiba's Destourian Socialist Party was until recently Tunisia's only legal political party. While its open membership, coordination committees in the governates, and cells among Tunisian workers provide important avenues for political participation, disciplinary commissions insure loyalty to the party line. Under the watchful eye of Bourguiba the PSD explains and mobilizes support for government policies. 

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The Succession Issue



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The question of who will succeed Bourguiba has been the key political issue in Tunisia for sometime, but until the mid-1970s Bourguiba vacillated over how his successor should be chosen. Finally, in 1976 Bourguiba sponsored a constitutional change specifying that in case of a presidential vacancy the Prime Minister will assume the functions of the presidency for the

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remainder of the term of the National Assembly--which currently runs until November 1986. If the Prime Minister is incapacitated, next in line are the President of the National Assembly and the Minister of Justice. Presidential candidates for a new term must be approved by a government commission, and then run against each other in a nationwide popular election.



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The Tunisian armed forces generally have been apolitical. Since independence, President Bourguiba has maintained tight civilian control over the military and kept it out of political controversies. But senior officers -- drawn from the Tunisian establishment that produces the government and party elite -- have a strong stake in stability. If the succession period is accompanied by prolonged crisis, the military may move to secure an orderly transfer of power or to insure that their own favorite assumes the Presidency.



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Pressure Groups

Organized opposition groups in Tunisia have not gained a great deal of strength, in large part because the PSD coopts many critics of the regime. Several groups, however, have the potential to significantly influence Tunisian politics in the post-Bourguiba era. They include disaffected liberals, trade unionists, and Islamic fundamentalists. Other opponents of the regime, such as the socialist-oriented Movement of Popular Unity, Baathists, Nasserites, and several extreme leftist groups, operate clandestinely or have been based abroad and have little following. [REDACTED]

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The Social Democrats, led principally by Ahmed Mestiri, are the most visible and tolerated of the exclusively political opposition groups. Recently legalized, they are a collection of former government officials and members of the Destour Party who draw their support largely from the professional middle class. The Social Democrats are reformers who favor working within the system to accomplish its modification. [REDACTED]

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The labor movement in Tunisia rivals the ruling PSD in size, organization, and longevity. Following independence, the General Union of Tunisian Workers (UGTT)--Tunisia's only labor Union federation--was successfully used by Bourguiba as an instrument of support for his far-reaching social and economic programs. Over the last 10 years, however, the UGTT, headed by Hadid Achour, has gradually become large enough and sufficiently broad based to challenge the ruling party and government on economic

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issues. []

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Islamic fundamentalists are gaining strength and have become more active since Ayatollah Khomeini's takeover in Iran in 1979. The fundamentalists, most of which by far are organized into the Mouvement de la Tendance Islamique (MTI), are pushing for a general return to the more conservative doctrines of Islam to halt what they regard as the moral decay brought about by Bourguiba's strongly secular policies. More extreme fundamentalist groups, such as the trans-national Islamic Liberation Party or Hizb al-Tahrir, favor replacing the current government entirely by religious leaders. Continuing attempts by Tunisian security forces to check fundamentalist activity--including the arrest of virtually the entire MTI leadership in 1981--have failed to stem the emotive appeal of the Islamic resurgence. The fundamentalists are the only important opposition group with any interest in destabilizing Tunisia and would almost certainly try to take advantage of the uncertainty and political infighting that might ensue following Bourguiba's departure. []

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Tunisia's Foreign Policy

The chief concern of Tunisian foreign policy is to protect the country from its larger neighbors--Libya and Algeria. Tunisia views its fears as having been confirmed by the raid on Qafsah in 1980 by Tunisian dissidents backed by Libya with the collaboration of some Algerian party officials. Tripoli's continuing support for Tunisian exiles contributes to Tunis'

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distrust of Libyan leader Qadhafi even during his periodic attempts to mend fences. Tunisian relations with Algeria have improved, however, since the two countries signed an agreement in March 1983, resolving their longstanding border dispute. [REDACTED]

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Lacking the manpower and resources to keep pace militarily with Libya and Algeria, Bourguiba has forged tacit security relationships and acquired virtually all of its arms and training assistance from France and the US. Tunisia also welcomes visits by their naval combatants to demonstrate their interest in Tunisian security. Bourguiba in fact has often referred to the US 6th Fleet as Tunisia's "shield in the Mediterranean." [REDACTED]

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Bourguiba's firm pro-Western orientation also is designed to elicit foreign aid and investments. Washington has provided Tunis with almost \$1 billion in economic assistance since Tunisia gained independence in 1956, but the US plans to phase out its concessional economic assistance program by 1985 because Tunisia's growing per capita income makes it ineligible for further US PL-480 concessional aid. Differences with France resulting from its claims for compensation for property nationalized in 1964 by Tunisia have led to several temporary cutoffs of French economic aid. However, former French President Giscard d'Estaing's strong concern to preserve Paris' historic spheres of influence led him to restore French assistance in the mid-1970s. [REDACTED]


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Tunisia consistently adopts a moderate approach to international problems. Tunisia has encouraged dialogue and compromise in international forums such as the Organization of


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African Unity, the Arab League, and the United Nations. 

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At the same time, Tunis maintains cordial relations with a number of Eastern European states and normal, but not overly warm relations with the Soviet Union in part to enhance its non-aligned credentials. Tunisia permits Soviet naval visits and the use of ship repair facilities by vessels of the Soviet Mediterranean squadron. 

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Tunisia's strongest relations predictably are with the moderate Arab states and has adopted a balanced approach to Arab-Israeli issues. Bourguiba, for example, has quietly endorsed the Camp David accords and sometimes worked behind the scenes to encourage Arab acceptance of Israel. On the other hand, Tunisia sent a small military contingent and material aid to Egypt and Syria during the 1973 war with Israel and has strongly endorsed the Palestinians' right to statehood. The success of this balanced policy was highlighted in 1979 when Arab states opposing the Camp David accords moved the seat of the Arab League from Cairo to Tunis, and in 1982 when the leadership of the Palestinian Liberation Organization chose Tunis for its headquarters after the PLO evacuated Beirut. 

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Development Strategy

Tunisia's economy, which prospered in the immediate post-independence period thanks to a relatively stable political environment achieved under President Bourguiba, now faces some challenges. Worldwide recession of the last few years has severely affected Tunisia's major foreign exchange earners--petroleum, tourism, and phosphates--and has hampered economic


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growth. A well-educated populace is demanding more social spending and is critical of higher military outlays. Only limited improvement in agricultural performance is requiring imports of a high portion of domestic food needs, while rising unemployment and inflationary tendencies are also adding to the economic difficulties. 

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Tunisia is interested in promoting oil and gas exploration and development but is cautiously basing its five year development plan on the assumption of no major new oil discoveries and of a gradual reduction of oil exports. Given current growth in domestic oil consumption and projected oil production levels, Tunisia should remain a net oil exporter only through the remainder of the decade. More than 30 foreign companies are involved in exploitation and development of Tunisia's oil and gas fields. None of the oil exploration areas are expected to contain large fields, but Tunisians hope that they will be commercially exploitable. 

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The boundary dispute between Libya and Tunisia effecting offshore oil exploration is now at a quiet stand-off. Although the line proposed by the International Court of Justice (ICJ) has not been officially recognized by Tunisia and Libya, oil firms are now set to resume exploration and production plans based on this line. On the Tunisian side of the ICJ line the fields appear to be of only modest size at best. 

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Agriculture, which chronically lags behind the rest of the economy and meets only 50 percent of domestic food consumption, is one of the priority areas in current investment planning.

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Several institutional and policy measures, which affect producer prices, credit facilities, and marketing cooperatives, have been implemented recently to stimulate output. Projects are also underway to expand irrigated areas and increase the use of agricultural machinery. []

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Job creation is also a major concern. Current unemployment is estimated at 12 percent with underemployment accounting for an additional 12 percent. Economic investment is being directed toward smaller, labor intensive enterprises, especially in the lesser developed regions in order to create more jobs. The traditional outlets for Tunisian labor in France and Libya have not grown in recent years. Although efforts to place Tunisian workers in the Gulf states have been made, results have been limited so far. The slight warming in relations with Libya may ease the unemployment burden somewhat in the near future, but domestic employment will still lag behind targets. []

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With net oil exports declining, unemployment rising, and per capita income now at levels which make it increasingly difficult for Tunisia to obtain development assistance from traditional donors at concessional terms, Tunisia is counting on recently founded joint investment banks and direct foreign investment to help finance its development. Overall investment levels so far have been above target since the drive to encourage these joint banks began. Tunisia has had to seek some additional financing through the Euromarket as well, but its supply of investment funds for the future looks healthy. []


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Outlook


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The Tunisian political and administrative system and economy have several strengths which militate against prolonged domestic unrest. The leadership is well-educated and pragmatic and recognizes that it faces urgent problems. The current five-year development plan, for example, is designed to ease unemployment, an increasingly difficult political issue. 

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Nonetheless, the domestic scene will become more volatile when Bourguiba is no longer President. Bourguiba's successor is likely to encounter increasing demands to open up the political system and to face far more criticism of his social and economic policies. Although most opposition groups and figures are expected to pursue their goals through legitimate channels, over time their opposition could lead to a considerable weakening of presidential power. Furthermore, a prolonged and divisive succession period increases the possibility that the military may intervene in politics for the first time. 

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Tunisia can be expected to identify less openly with the US and assume a more pro-Arab and nonaligned foreign policy in the post-Bourguiba era. It is unlikely, however, that Tunisia would move close to the Soviets or grant them basing rights. Ties to the US and Europe will remain important for defense support and economic investment and trade. Despite the attraction of improved economic cooperation with Libya in the post-Bourguiba period, the Tunisian Government will remain wary of Libyan subversion or interference as long as Mu'ammarr Qadhafi is in power in Tripoli. 

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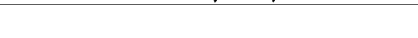


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