

Logistical Constraints on International Trade in the Maghreb

François Amiot

Ovadia Salama

To strengthen strategic alliances with European trading and industrial partners, Maghreb firms should rethink the logistics of their distribution strategy in Europe, taking recent changes into account and adjusting their trade practices. They should try to strengthen interdependency with European partners, develop just-in-time multimodal transport and logistics management, and negotiate maritime and inland freight rates in the context of general transport contracts.

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Summary findings

Without a competitive transport industry, the Maghreb countries will not truly benefit from reform aimed at increasing the region's share of international trade. A study of barriers to the region's trade, especially with countries of the European Union, identified more than 30 barriers, in four categories: barriers to imports, to exports, of infrastructure and equipment, and of intra-Maghreb trade. These include:

Direct barriers

- From traditional distortions (price, discriminatory access to markets).
- Nontariff barriers (administrative, regulatory, and tax-related restrictions).
- Traffic agreements (protecting national flags).
- Lack of infrastructure and equipment.

Indirect barriers, deriving from

- Trade harmonization (simplified customs procedures and tariff structures, elimination of quotas, reduction of customs tariffs on transport equipment).
- Technology lags (telecommunications and handling).

Amiot and Salama quantify barriers in terms of "tariff equivalents," expressed as a nominal rate of protection based on the f.o.b. value of the merchandise. But the nominal rate of protection measures only the direct costs of distortions. The effective rate of protection measures

both direct and indirect effects, and effective rates are generally twice as high as nominal rates.

To reconcile macroeconomic and microeconomic approaches to measuring effective rates, Amiot and Salama use a partial equilibrium model (SMART model) to estimate the impact on the balance of payments of eliminating excess costs.

Most of the corrective policies they recommend concern multimodal transport in the trade between Europe and the Arab Maghreb Union. The challenges are considerable: not only does such a system pave the way for cost and time savings ("just-in-time" transport), but it also adopts the logistics management that the most advanced European enterprises use to orchestrate their raw material purchasing, production, and marketing functions. A multimodal transport system allows them to reduce inventories significantly and to respond better to volatile demand.

Essentials for just-in-time multimodal transport and logistics management include efficient modern transport techniques, efficient communications systems, efficient modern merchandise handling, and appropriate regulations. These conditions are still not fully in place in the Maghreb countries, except partially in some parts of the clothing and textile industry.

This paper — a product of the Private Sector Development, Finance, and Infrastructure Division, Middle East and North Africa, Country Department I — is part of a larger effort in the department to assist Maghrebian countries in achieving a broad-ranging set of integration arrangements with the European Union that will improve their competitive positions. Copies of this paper are available free from the World Bank, 1818 H Street NW, Washington DC 20433-0001. Please contact Laverne Lewis, room H4-167, telephone 202-473-7369, fax 202-477-1993, Internet address llewis@worldbank.org. May 1996. (55 pages)

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ABBREVIATIONS AND ACRONYMS

| | |
|----------|--|
| AMU | Arab Maghreb Union |
| c.i.f. | cost, insurance, freight |
| COMANNAV | <i>Compagnie Marocaine de Navigation</i> |
| EU | European Union |
| EDI | Economic Development Institute, World Bank |
| edi | electronic data interchange |
| FAS | free alongside the ship |
| f.o.b. | free on board |
| GATT | General Agreement on Tariffs and Trade |
| NTO | National Transport Organization |
| ONT | <i>Office National des Transports</i> |
| PHARE | Poland and Hungary Assistance for Reconstruction |
| TACIS | Technical Assistance for CAS Countries |
| TEU | ton equivalent unit |
| UNCTAD | United Nations Conference on Trade and Development |
| WTO | World Trade Organization |

Exchange Rate (as of December 1994)

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US\$1.00 = DH 8.8

US\$1.00 = DT 1.03

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TABLE OF CONTENTS

| | | |
|-----|--|----|
| I. | International Trade and Transport Problems in the Maghreb | 1 |
| | A. Measuring Transport costs | 1 |
| | B. Equivalence Between Excess Transport costs and Tariffs | 2 |
| | C. The C.I.F./F.O.B. Approach and its Limitations | 2 |
| | D. The Current Approach and its Limitations | 4 |
| | E. Estimating Excess Costs | 6 |
| | F. Estimating Benefits from Removing Transport Barriers | 8 |
| II. | Identification and Quantification of Restrictive Practices: Case Studies | 10 |
| | A. Voyage Cost Analysis: Export of Glucose from Morocco to Tunisia | 10 |
| | B. Excess Cost Calculations: Transport Chain Case | 11 |
| | Morocco: Transport Chain for Clothing and Footwear | 12 |
| | Tunisia: Transport Chain for Citrus Fruits | 13 |
| | Algeria: Transport Chain for Power Network Equipment | 16 |

ANNEXES

| | | |
|------|---|----|
| A1 | Calculation of Ad Valorem Excess Costs: | 18 |
| A1.1 | Algeria | 19 |
| A1.2 | Morocco | 20 |
| A1.3 | Tunisia | 21 |
| A2 | Regional Profile of Trade in the Maghreb | 22 |
| A3 | Logistical Constraints Affecting Trade in the Maghreb Countries - Diagnosis | 24 |
| | Barrier Ratings | 24 |
| | Import-Related Barriers | 32 |
| | Export-Related Barriers | 36 |
| | Infrastructure and Equipment-Related Barriers | 37 |
| | Trans-Maghreb Barriers | 39 |
| A4 | Matrix of Recommendations for Corrective Measures | 43 |

EXECUTIVE SUMMARY

- (i) Without a competitive transport industry the Maghreb countries will not benefit fully from reforms aimed at increasing market share of international trade. This rationale prompted a study to identify the transport barriers obstructing the Maghreb countries' trade with the rest of the world, particularly with countries of the European Union (EU), to measure the benefits to be gained from their removal, and to outline possible corrective policies.
- (ii) Based on specific local surveys, more than thirty import and export barriers were identified. Those barriers that are directly transport related derive from traditional distortions (price barriers, discriminatory market access); administrative, regulatory, tax-related restrictions (nontariff barriers); traffic agreements (protection of national flags); or lack of infrastructure and equipment. Those barriers indirectly connected with transport derive from trade harmonization (simplification of customs procedures and tariff structures, elimination of quotas, and reduction of customs tariffs on transport equipment) or technology lags (such as telecommunications and handling). The topology has been broken down into barriers to imports, exports, infrastructure and equipment, and intra-Maghreb trade.
- (iii) The economic impact of these barriers can only be measured if a common denominator is used that measures the different distortions in like terms. In this report barriers are quantified in terms of "tariff equivalents," expressed as a nominal rate of protection based on the f.o.b. value of the merchandise. However, the nominal rate of protection only measures the direct costs of distortions whereas the effective rate of protection would measure both the direct and indirect effects. Research in industrial countries indicates that effective rates are generally twice as high as nominal rates.
- (iv) Two macroeconomic approaches are used to measure the effect of restriction practices. A preliminary nominal and ad valorem measurement of the cost of international transport and insurance can be obtained by comparing the c.i.f. and f.o.b. values of trade. This measurement, which is approximate, points out possible distortions, where the freight and insurance costs are higher for the Maghreb countries than for any other group of countries considered. We find that these costs are five times higher than those in the European Union and twice as high as those in developing countries.
- (v) A second macroeconomic approach, based on the balance of payments, estimates the total freight and insurance costs for a given country and expresses this cost as a percentage of the total f.o.b. value of an item. This percentage is the equivalent of a "nominal shipment rate" for the item concerned. For the three countries considered, this rate varies (during the reference year 1990) from 3.5% for Algeria and Tunisia to 7% for Morocco.

- (vi) A microeconomic approach identifies the restrictive practices in a sample of transport chains and computes the differences with respect to international (standard) levels for an entire range of transactions, including merchandise dockside dwell times, redundant charges (double handling), inefficient tariff structures, billing systems, losses and damage, fraud, and slow-moving customs procedures. In estimating the cost of transactions along the length of the chain, transport costs resulting from different transport modes, user fees, countervailing tariffs, and differential tariffs for cabotage must be taken into account. The aim is to separate the cost of factors intrinsic to the transport function from other costs obstructing trade. These excess costs are expressed in ad valorem terms for the products surveyed and are aggregated to obtain a total estimate of the excess costs arising from transport-related barriers. The annual excess costs estimated by the survey amounted to US\$30 million for Morocco, US\$94 million for Algeria, and US\$71 million for Tunisia.
- (vii) An attempt to reconcile the two approaches, a partial equilibrium model (SMART model) was used to estimate the economic impact on the balance of payments of eliminating the excess costs, relying on the measurement of ad valorem excess transport costs in terms of tariff barriers. In least cost reduction hypothesis, an estimated variable, transport elasticity (the percentage change in export earnings and freight costs arising from a percentage change in a barrier) is used to compute the increase in international trade that would result from eliminating excess costs. For the reference year chosen, Tunisia would have reduced its current account deficit by 23 %, Morocco would have reduced its deficit by 21 %, and Algeria would have increased its surplus by 8 %.
- (viii) The barriers identified call for corrective policies, either at the national level or at the regional level. Recommendations on Euro-Maghreb trade recur most often are those which obstruct the development of multimodal transport. Multimodal transport is the key component of "logistics management," the new strategic tool used by dynamic firms to orchestrate their raw materials procurement, production, and marketing functions with minimum "dead time" (the "just-in-time" system). This strategy allows firms to reduce their stocks appreciably and better position themselves to serve an increasingly volatile demand. These firms are thus looking for new foreign markets and are prepared to move to another country or continent, if more advantageous conditions present themselves. The essential characteristics of the new markets sought are: modern and efficient transport techniques; efficient communications systems; modern, reliable, and quick merchandise handling; and appropriate regulatory frameworks. Unfortunately, the trade barriers operating in the Maghreb countries prevent conditions from being met although they have been partially implemented in the textile industry. As a result revision of the Multifibre Arrangement and expansion of EU agreements with Eastern European countries represent a potential threat to Maghreb countries fighting to preserve their market position.
- (ix) Cooperation with Europe could be strengthened multilaterally (such as PHARE- or TACIS-type cooperation through the European Commission) and bilaterally (training and technology exchanges), but it would especially benefit from strategic alliances with

European trading or industrial partners. To form these alliances Maghreb firms should rethink the logistics of their distribution strategy in Europe, taking recent changes into account and adjusting their trade practices. Such a strategy would aim to strengthen interdependencies with European partners, develop multimodal transport, and negotiate maritime and inland freight rates in the context of overall transport contracts.

I. International Trade and Transport Problems in the Maghreb

1.1 This study seeks to identify the main distortions affecting the transport sector by focusing on intra-Maghreb and Euro-Maghreb trade flows, to assess the potential economic gains that may come from eliminating these barriers, and to make recommendations for facilitating intra-Maghreb and Euro-Maghreb transport. The study benefited from a seminar jointly organized by the Economic Development Institute (EDI) and the World Bank, held in March 1994.

1.2 Excess costs - costs that arise because of trade barriers - are calculated using an approach that quantifies nontariff barriers into their tariff equivalents. The analysis considers three types of distortions: distortions connected with transport, distortions connected with international trade ("trade harmonization"), and distortions connected with technology. Any action aimed at making trade more competitive must attempt to eliminate these distortions.

1.3 In this study we measure only direct costs. As a result the estimate of the trade and economic benefits of removing distortions is only partial. A full estimate would also take into account the impacts of effective protection and restrictive practices on value added, employment, and the environment. But even with our conservative approach, the estimated impact of eliminating excess costs on the balance of payments is significant: Tunisia would cut its Current Account deficit by 23%, Morocco would reduce its deficit by 21%, and Algeria would raise its surplus by 8% (for the reference year).

A. Measuring Transport Costs in the Maghreb

1.4 Transport costs in general and sea shipping costs in particular form natural trade barriers between the Maghreb countries and their partners. These costs protect domestic producers against competition from imports, as do artificial barriers, and significantly inhibit both the volume and the types of goods exported by Maghreb countries.

1.5 For some Maghreb countries, particularly Morocco, the economic cost of artificial barriers and their effect on trade balances have already been scrutinized and documented.¹ The barriers that transport costs impose, on the other hand, have not been measured. Transport costs are usually thought to be fixed by the market, and thus immune to policy actions, or thought to be only a minor contributor to total protection.

1.6 International transport costs can be analyzed using the international trade data found in the balance of payments tables and Current Account calculations of each country. Difficulty arises in comparing international data. The main source of comparable data is balance of payments statistics, which are compiled by the International Monetary Fund. Balance of

¹ See: "Morocco: The Impact of Liberalization on Trade and Industrial Adjustment", EMENA, March 15, 1988.

payments data are distinguished as either merchandise or nonmerchandise transactions, not as either goods or services.

1.7 Trade documents filed with customs offices and central bank records of foreign exchange transactions, are the two main sources of national data on merchandise trade. Customs data are generally more precise because they capture all cross-border merchandise movements, including those between head offices and subsidiaries of multinational corporations for which there are no other sources of information. Since the international agreements on harmonizing merchandise trade nomenclature were enacted (the Customs Cooperation Council Nomenclature, the Standard International Trade Code, and more recently the Harmonized System Nomenclature), customs data are internationally comparable for several thousand items.

1.8 Countries must estimate the value of nonmerchandise Current Account transactions using either foreign exchange records or surveys of business establishments. Equivalent customs data cannot be gathered because services and other nonmerchandise transactions are not physically observable. As a result, the figures recorded in balance of payments statements are often underestimated.

B. Equivalence Between Excess Transport Costs and Tariffs

1.9 The distortions arising from transport costs, tariff barriers, and technology lags must be expressed in like terms so that they can be compared and their combined impact on the balance of payments measured. The ad valorem rate of protection typically expressed in nominal terms, is the most appropriate common denominator. But the effective rate of protection would be a better measure unlike the nominal rate of protection, the effective rate of protection for a final good takes into account (using the input-output tables), the rates of protection of the intermediate goods used in production (see Yeats 1980). Transport services are intermediate inputs, and their excess costs contribute to the nominal rate of protection of intermediate products. In industrial countries effective protection rates are roughly twice as large as nominal rates.

C. The C.I.F./F.O.B. Approach and its Limitations

1.10 An ad valorem measurement of the cost of international transport and insurance can be obtained by comparing the c.i.f. and f.o.b. values of trade. The volume of exports and their f.o.b. value are listed in the exporting country's statistics. The same product is entered in the partner's import statistics in volume and in c.i.f. value. The difference between the c.i.f. and f.o.b. values as a fraction of the f.o.b. value, gives an indication of the ad valorem freight and insurance costs (Table 1.1). The bi-directional approach makes it possible to estimate, by country and product, comparable indicators of transport costs, referred to as freight factors.

Table 1.1 : Incidence of transportation costs, 1988-91

| | | (billion dollars) | | | | | | | | | | | | |
|--------------------------|--------|-------------------|----------|----------|----------|----------|----------|----------|----------|---|-------|-------|------|---------|
| <i>Unit : \$ m</i> | | c.i.f. | | | | f.o.b. | | | | Transportation costs = (c.i.f. - f.o.b.)/f.o.b. | | | | |
| | | 1988 | 1989 | 1990 | 1991 | 1988 | 1989 | 1990 | 1991 | 1988 | 1989 | 1990 | 1991 | Average |
| Morocco | Export | 4.70 | 5.47 | 6.50 | 7.68 | 5.22 | 5.61 | 7.09 | 6.86 | -10.00 | -0.02 | -0.08 | 0.12 | -0.02 |
| | Import | 4.14 | 4.24 | 5.46 | 5.79 | 3.46 | 3.29 | 4.16 | 5.39 | 0.20 | 0.29 | 0.31 | 0.07 | 0.20 |
| | Total | 8.84 | 9.71 | 11.96 | 13.47 | 8.68 | 8.90 | 11.25 | 12.25 | 0.02 | 0.09 | 0.06 | 0.10 | 0.07 |
| Algeria | Export | 8.11 | 8.90 | 10.37 | 9.04 | 7.25 | 7.95 | 9.29 | 8.06 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 |
| | Import | 8.78 | 9.83 | 13.42 | 12.92 | 8.19 | 9.28 | 12.65 | 12.21 | 0.07 | 0.06 | 0.06 | 0.06 | 0.06 |
| | Total | 16.89 | 18.73 | 23.79 | 21.96 | 15.44 | 17.23 | 21.94 | 20.27 | 0.09 | 0.09 | 0.08 | 0.08 | 0.09 |
| Tunisia | Export | 3.69 | 4.43 | 5.94 | 5.44 | 3.27 | 3.88 | 5.10 | 4.97 | 0.13 | 0.14 | 0.16 | 0.09 | 0.13 |
| | Import | 2.37 | 2.96 | 3.83 | 3.91 | 2.42 | 3.03 | 3.95 | 3.88 | -0.02 | -0.02 | -0.03 | 0.01 | -0.02 |
| | Total | 6.06 | 7.39 | 9.77 | 9.35 | 5.69 | 6.91 | 9.05 | 8.85 | 0.07 | 0.07 | 0.08 | 0.06 | 0.07 |
| France | Export | 180.34 | 192.90 | 235.06 | 232.30 | 171.32 | 188.24 | 227.05 | 226.55 | 0.05 | 0.02 | 0.04 | 0.03 | 0.03 |
| | Import | 166.64 | 178.19 | 217.34 | 223.27 | 168.62 | 179.39 | 216.39 | 217.08 | -0.01 | -0.01 | 0.00 | 0.03 | 0.01 |
| | Total | 346.98 | 371.09 | 452.40 | 455.57 | 339.94 | 367.63 | 443.44 | 443.63 | 0.02 | 0.01 | 0.02 | 0.03 | 0.02 |
| EC/EU | Export | 1082.80 | 1,167.20 | 1,413.50 | 1,458.60 | 1,041.40 | 1,124.10 | 1,357.40 | 1,400.40 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 |
| | Import | 1054.70 | 1,118.90 | 1,349.40 | 1,365.50 | 1,064.60 | 1,135.50 | 1,366.40 | 1,371.20 | -0.01 | -0.01 | -0.01 | 0.00 | -0.01 |
| | Total | 2137.50 | 2,286.10 | 2,762.90 | 2,824.10 | 2,106.00 | 2,259.60 | 2,723.80 | 2,771.60 | 0.01 | 0.01 | 0.01 | 0.02 | 0.02 |
| Industrialised Countries | Export | 2070.30 | 2,238.60 | 2,567.80 | 2,592.40 | 1,953.50 | 2,112.80 | 2,437.80 | 2,474.00 | 0.06 | 0.06 | 0.05 | 0.05 | 0.05 |
| | Import | 2010.80 | 2,155.80 | 2,483.20 | 2,557.90 | 1,983.90 | 2,127.30 | 2,446.00 | 2,501.30 | 0.01 | 0.01 | 0.02 | 0.02 | 0.02 |
| | Total | 4081.10 | 4,394.40 | 5,051.00 | 5,150.30 | 3,937.40 | 4,240.10 | 4,883.80 | 4,975.30 | 0.04 | 0.04 | 0.03 | 0.04 | 0.04 |
| Developping Countries | Export | 701.32 | 762.73 | 868.57 | 978.42 | 683.98 | 737.96 | 840.75 | 938.80 | 0.03 | 0.03 | 0.03 | 0.04 | 0.03 |
| | Import | 738.08 | 824.87 | 933.34 | 987.47 | 706.18 | 781.96 | 883.75 | 947.37 | 0.05 | 0.05 | 0.06 | 0.04 | 0.05 |
| | Total | 1439.40 | 1,587.60 | 1,801.91 | 1,965.89 | 1,390.16 | 1,519.92 | 1,724.50 | 1,886.17 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 |
| World | Export | 2771.60 | 3,001.30 | 3,436.40 | 3,570.80 | 2,690.10 | 2,909.30 | 3,329.80 | 3,448.70 | 0.03 | 0.03 | 0.03 | 0.04 | 0.03 |
| | Import | 2771.60 | 3,001.30 | 3,436.40 | 3,570.80 | 2,690.10 | 2,909.30 | 3,329.80 | 3,448.70 | 0.03 | 0.03 | 0.03 | 0.04 | 0.03 |
| | Total | 5543.20 | 6,002.60 | 6,872.80 | 7,141.60 | 5,380.20 | 5,818.60 | 6,659.60 | 6,897.40 | 0.03 | 0.03 | 0.03 | 0.04 | 0.03 |

Source : IMF Direction of Trade Statistics, 1993.

1.11 Because export and import statistics are available at a very disaggregated level (to the five-digit level in the CCIS code for example), freight factors for a given country can be calculated by product and by destination. These data constitute the "ad valorem transport cost profile" of a country. Comparing profiles for a particular year with those of a several-year average and comparing profiles across countries makes it possible to detect anomalies that suggest the presence of excess costs, and unusually high freight rates and to identify products and transport chains with potential bottlenecks or restrictions. These calculations, however, must be supplemented and verified by comparisons with surveys of shipping companies, forwarding agents, marine insurance brokers, and port authorities (verification of port tariffs and handling costs), and with spot applications of shipping cost models.

1.12 The figures in Table 1.2 must be viewed with caution because of technical problems in gathering information and because the freight rates derived do not necessarily reflect the long-term level of transport costs. However, they point out some differences in transport costs among Maghreb countries and between Maghreb countries and the rest of the world. For instance, freight and insurance costs are five times higher in Maghreb countries than in the European Union and twice as high as in developing countries. Many factors affect the ad valorem incidence of transport charges. This study characterizes and quantifies them, estimates their impact on Maghreb countries, international trades, and proposes corrective measures.

D. The Current Account Approach and its Limitations

1.13 The components of the Current Account also throw light on the relative importance of freight and transport costs in a given country (Table 1.2). The sum of "shipment" debits and credits, representing both freight and insurance costs, varies from 3.5% (Algeria, Tunisia) to 7% (Morocco) of the total f.o.b. value of merchandise imports and exports. This ratio will be referred to as the "nominal shipment rate." These percentages are modest. But compared with the Current Account balance, these transport costs are very significant. In Algeria they equal half of the Current Account surplus posted in 1990. In Morocco, if they were reduced by 25%, the Current Account deficit would be eliminated.

1.14 In addition to calculating the freight factor, the Current Account approach allows to estimate the whole cost of the transport chain and to express this cost as a percentage of the total f.o.b. value of the merchandise. This percentage is equivalent to a "nominal transport rate," obtained by adding the "other transportation" credit and debit lines of the balance of payments and a fraction of "other goods and services" debit and credit lines to the components of the nominal shipment rate.

1.15 More detailed analysis of excess costs (presented in the following chapters) reveals two basic limitations of the Current Account approach. First, Maghreb countries do not report and record merchandise and service transactions in the same way. Second, the figures are highly aggregated, without any breakdown of costs by product, by mode of handling, by port, or by origin and destination. These detailed data can only be obtained from local surveys.

Table 1.2 : Current Account Components (1990)

| | Algeria | Morocco | Tunisia |
|------------------------------------|----------------|----------------|----------------|
| Current Account | 1,087 | -2,532 | 1,308 |
| Goods, Services, and Income | | | |
| Total Credit | 13,535 | 6,321 | 5,300 |
| Total Debit | -12,448 | -8,853 | -6,608 |
| Merchandise Exports (f.o.b.) | 12,964 | 4,210 | 3,515 |
| Oil and Gas | | 854 | |
| Phosphates | | 437 | |
| Other | | 3,774 | |
| Merchandise Imports (f.o.b.) | -8,777 | -6,282 | -5,193 |
| Trade Balance | 4,187 | -2,071 | -1,678 |
| Shipment : Credit | 126 | 154 | 110 |
| Shipment : Debit | -607 | -559 | -239 |
| Passenger Services : Credit | | 38 | 213 |
| Passenger Services : Debit | | -31 | -112 |
| Other Transportation : Debit | 88 | 21 | 52 |
| Other Transportation : Credit | -124 | -69 | -85 |
| Port Services | | | -42 |
| Other | | | -43 |
| Travel : Credit | 64 | 1,280 | 1,018 |
| Travel : Debit | -149 | -187 | -179 |
| Students | | | -36 |
| Other | | | -148 |
| Investment Income : Credit | 355 | 177 | 184 |
| Investment Income : Debit | -2,625 | -1,522 | -740 |
| Other Goods and Services : Credit | 303 | 392 | 173 |
| Other Goods and Services : Debit | -282 | -90 | -74 |
| Unrequested Transfers | 333 | 2,332 | 808 |

E. Estimating Excess Costs

1.16 Surveys of transport chains originating or ending in the Maghreb countries were conducted to generate data on the incidence of transport-related restrictive practices. These surveys identified representative routes for typical import and export commodities in intra-Maghreb and Europe-Maghreb trade. Product groups that represented different handling modes (bulk, containers, bags, general cargo) were analyzed, major product groups were identified (Table 1.3).

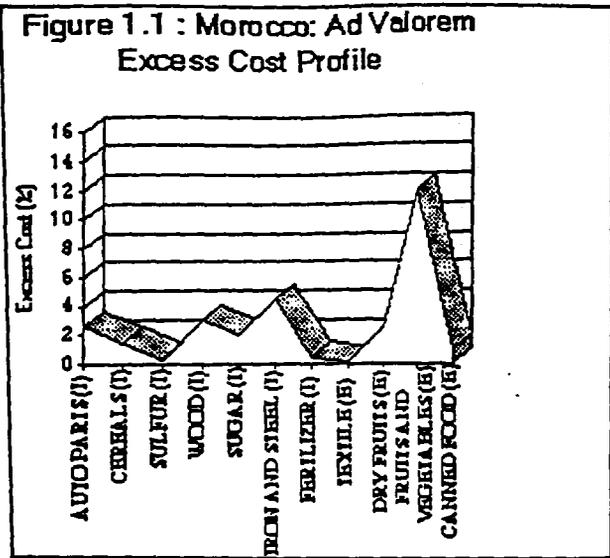
Table 1.3: Transport Chains

| <i>Tunisia</i> | <i>Morocco</i> | <i>Algeria</i> |
|---|--|---|
| <u>Imports</u> | <u>Imports</u> | <u>Imports</u> |
| Steel products Marble/glass | Cereals Steel products Cement | Steel products Cereals |
| <u>Exports</u> | <u>Exports</u> | <u>Exports</u> |
| Textiles and clothing Citrus fruits Dates Industrial machinery Leather products Agrifoodstuffs (Olive oil) | Almonds Textiles and clothing Containers Machinery Canned foods Sugar Manufactured fertilizers | Wood Agrifoodstuffs Pharmaceuticals Electrical machinery Dairy products |

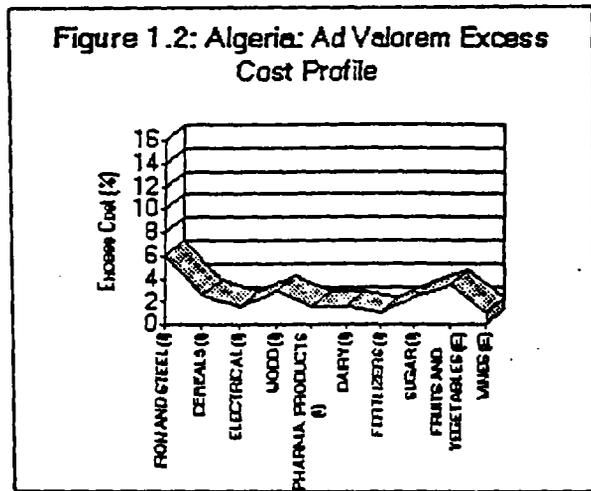
1.17 Studying these chains in the field made it possible to identify the restrictive practices that apply to each and to determine how each diverges from international standards on dwell times, double charges, inefficient tariff structures, billing systems, coordination between modes, logistics planning, loss and damage, and various forms of fraud. A detailed review of customs procedures considered the complexity of transactions and the cause of this complexity, namely document preparation, currency issues, and variations in procedure among countries. Transaction costs were estimated, taking into account the cost of transport by different modes, user charges, countervailing tariffs, and any differential tariffs for cabotage. The aim was to separate the costs attributable to transportation from other costs that act as barriers to trade. The excess costs were expressed in ad valorem terms for the identified products and aggregated to obtain an estimate of total excess costs.

1.18 Comparing the tonnages reported in Tables A1.1, A1.2, and A1.3 with total foreign trade tonnages reported in Table A1.4 clearly shows that the study has captured most of the foreign trade. The excess costs estimated from these figures amount to US\$30 million for Morocco, US\$94 million for Algeria, and US\$71 million for Tunisia.

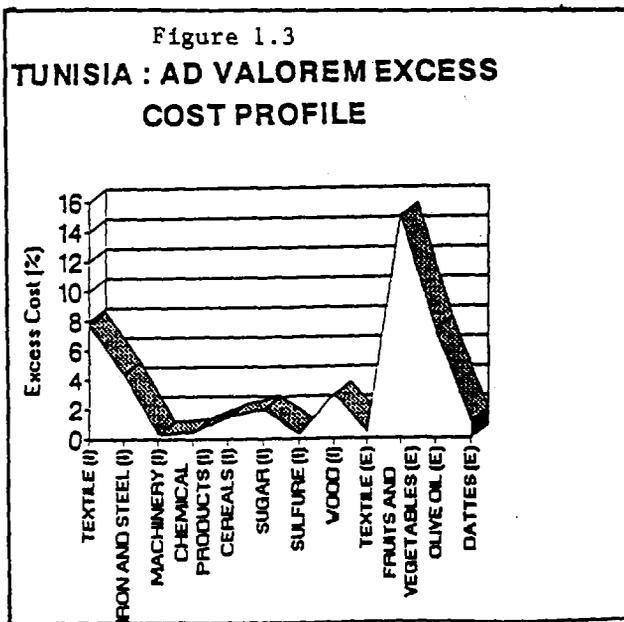
1.19 For Morocco, excess costs are particularly significant for fruit and vegetable exports and iron and steel imports (Figure 1.1). Excess costs are slightly lower for imports of cereals and auto parts. The weighted average of the excess costs represents 1.4% of Moroccan trade on an ad valorem basis for all imports and exports. Since transport costs make up 7.1% of the value of that trade, excess costs represent 19% of transport costs.



1.20 Excess costs are generally higher in Algeria than in Morocco (Figure 1.2). Excess costs on iron and steel imports, for example, are 2% higher than those in Morocco. However, excess costs are much lower for fruit and vegetable exports. The weighted average of the excess costs represents 2% of Algeria's trade on an ad valorem basis for all imports and exports. Since transport costs amount to 8.7% of the value of trade, excess costs represent 23% of transport costs.



1.21 Finally, in Tunisia the excess costs for textile and fruit and vegetable imports are higher than those in Morocco and Algeria, whereas excess costs for iron and steel imports are the same as those in Morocco (Figure 1.3). Tunisia's ad valorem excess costs for the remaining traded goods are lower than those in Algeria and Morocco. The weighted average of excess costs represents 1.2% of Tunisian trade on an ad valorem basis. Excess costs represent 17% of transport costs which are 6.8% of the value of trade.



F. Estimating Benefits from Removing Transport Barriers

1.22 In this study the net economic benefit and the improvement in the balance of payments that would result from eliminating trade barriers were computed. The balance of payments impact was estimated with the SMART simulation model, (a partial equilibrium model) using the ad valorem equivalence between transport costs and tariff barriers. This model was based on demand elasticities for products imported into industrial countries substitution and supply elasticities for products exported by the Maghreb countries.² This design made it possible to estimate the transport elasticity, that is the ratio of the percentage change in export earnings to the percentage change in freight costs following the removal of a barrier.

1.23 Positive economic effects from imports take the form of lower domestic prices following the elimination of excess costs. The net economic gain equals the increase in the value of imports multiplied by the average variation in ad valorem excess costs (before and after the elimination of the distortions). This gain is also equal to consumer surplus.

1.24 The total effect from exports is the sum of trade created and trade diverted. Created trade is the increase in demand from country *j* for product *i* exported by country *k*, resulting from a reduction in the price of this product when distortions are lessened or eliminated and assuming that price variations are automatically passed on. The value of trade created is calculated using the elasticity of demand for an imported product with respect to domestic prices and the elasticity of supply of an exported product with respect to world prices.

1.25 Importers divert trade when they switch from one exporting source to another because relative prices have changed. In the model used, suppliers' substitution elasticity is assumed to be 1.5. The value of this parameter could be made slightly higher if products are more homogeneous or slightly lower if they are more differentiated. The elasticity of supply of exports was assumed equal to infinity, implying a limitless supply of the exported good. Finally, the demand elasticities from the European Union for each tariff line were used for import elasticities.

1.26 The SMART model computes the increase in international trade as the sum of trade created and trade diverted (Tables A1.1, A1.2, and A1.3).

1.27 In 1990, the reference year deficit, removal of excess costs would have reduced Tunisia's Current Account deficit by 23%, reduced Morocco's by 21% and raised Algeria's surplus by 9% (Table 1.4). Although the base estimates are conservative (because they are not exhaustive), they are significant enough to warrant corrective measures.

² The SMART model was jointly developed by UNCTAD and the World Bank.

Table 1.4: Impact of Eliminating Transport-Related Distortions
(thousand of dollars)

| | <i>Morocco</i> | <i>Algeria</i> | <i>Tunisia</i> |
|-------------------------------------|----------------|----------------|----------------|
| Variation in Trade Balance | | | |
| Variation in "Shipments" Credit (+) | 12,600 | 27,100 | 43,600 |
| Variation in "Shipments" Debit (-) | (3,033) | (1,548) | (25,592) |
| Variation in Current Account | | | |
| 1990 Current Account | (200,000) | 1,420,000 | (500,000) |
| Current Account Variation | 43,239 | 122,089 | 114,748 |
| Expected Current Account | (156,761) | 1,542,089 | (385,252) |
| Current Account Improvement | 21.6% | 8.6% | 23.0% |

Source: Local surveys, 1993

II. Identification and Quantification of Restrictive Practices

2.1 Examining specific cases is the best way to show how the different tools used in this study were employed. To describe the procedure one looks first at exports of glucose and glucose syrup from Morocco to Tunisia, selected because of what this product reveals about competitiveness. We then look at one case study by country for a selected product, with calculations presented in increasing order of detail.

2.2 Glucose and glucose syrup are processed foodstuffs manufactured from imported maize. They are not differentiated by quality, origin, and brand so the analysis and comparisons can be based mainly on prices. Although Morocco's unit prices are competitive (on an f.o.b. basis) with those of other suppliers, and supply is largely available, its market share in Tunisia imports is only 5.2% (Table 2.1).

Table 2.1: Tunisian Imports of Glucose and Glucose Syrup, 1991

| <i>Producers</i> | <i>f.o.b. value (thousand of dollars)</i> | <i>Market share (percent)</i> | <i>Quantity</i> | <i>Cost per unit (dollars)</i> |
|------------------|---|-----------------------------------|-----------------|------------------------------------|
| Germany | 383 | 39.4 | 1,133 | 0.34 |
| Spain | 193 | 19.9 | 539 | 0.36 |
| Austria | 104 | 10.7 | 102 | 1.02 |
| France | 92 | 9.5 | 160 | 0.58 |
| Italy | 70 | 7.2 | 194 | 0.36 |
| Morocco | 51 | 5.2 | 158 | 0.32 |
| Belgium | 43 | 4.4 | 84 | 0.51 |
| Netherlands | 36 | 3.7 | 100 | 0.36 |

Source : UNCTAD, Trade Analysis and Information System 1991
Based on shipper's customs declarations

2.3 Maritime shipping and insurance costs could be the cause of Morocco's loss of competitive advantage in the Tunisian market. However, Tunisia requires all imported goods to be insured by Tunisian companies, and thus insurance costs do not affect the equation. Shipping costs remain as the only apparent cause of lost marketshare. This conclusion was verified with a model used to estimate maritime transport costs. The sea routes tested were Casablanca-Tunis (CTN and roll-on/roll-off (ro/ro) vessels), Cadiz-Tunis (CTN vessels), and Rotterdam-Tunis (CTN and Ahlerlines vessels). The findings indicate that:

- . If COMANAV (Compagnie Marocaine de Navigation) vessels of 568 ton equivalent unit (TEU) capacity are used, the cost of shipping a 20 foot container between Casablanca and Tunis is US\$311. However, if smaller vessels are used, the cost per TEU on the Cadiz-Tunis route is US\$480 compared with US\$530 on the Casablanca-Tunis route, 1/m a differential of 10.4%.
- . Cost per TEU for Rotterdam-Tunis and Casablanca-Tunis are roughly the same 1/m close to US\$530. However, because the distance between Rotterdam and Tunis is greater than that between Casablanca and Tunis, the cost differential per nautical mile is 120%.
- . When small CTN vessels (182 TEU) are used, it costs more to ship a container from Casablanca to Tunis than from Rotterdam to Tunis or Cadiz to Tunis (by Ahlerlines).

2.4 The average cost of maritime transport to Tunis is US\$40 per ton, or 9% of the average weighted value (US\$450) of merchandise delivered f.o.b. Although this figure is consistent with those calculated in Chapter I, these estimated costs are merely indicative and may only serve as guides.

2.5 These figures suggest that there are distortions associated with transportation. The cost of maritime transport is high because Maghreb shipping companies are too small to effect economies of scale in their cabotage traffic. In addition, linerconference freight agreements (which protect signatory countries from competition) may also be a source of excess costs: the nonconference rates applied by outsiders are generally 25% lower than conference rates. The field survey shows that these distortions are not ascribable only to sea freight costs. It reveals that rail transport through Algeria would give Morocco a significant relative advantage, in view of applicable freight charges. However, trans-Maghreb barriers prevent this option from being acted on (see Annex 1). And sea transport handicapped by the weakness of trade between the Maghreb countries and by the protection they afford shippers operating under their flags, the age of their merchant fleets, and the organization of work aboard their vessels.

B. Excess Cost Calculation: Transport Chain Case Studies

2.6 Cost calculation details vary from one product to another. In general, however, the excess cost for each product is first calculated by metric ton using survey data. This value is then expressed in ad valorem terms and applied to groups of similar products, taking into account the unit values of the products and the percentage of the potential exports or imports to which this excess cost would apply. Each of the following three cases covers a particular product, and calculations are presented in increasing order of detail.

Morocco: Transport Chain for Clothing and Footwear

2.7 We describe a company that is unusual because it has increased its efficiency in transportation. This ideal case is highlighted to illustrate the obstacles that are the rule rather than the exception.

Logistics

2.8 The company's headquarters are in France and it maintains a branch in Casablanca and one in Tunis. It specializes in transporting raw materials to Morocco and finished goods (mostly clothing and footwear) to the EU by road. The Moroccan and Tunisian branches report roughly the same turnover figures. France is the chief source of the raw materials imported. Weekly departures service its six-region network, which covers all of France. The company delivers its exports directly to consignees in its six regions. Incomplete lots (those not large enough to require an entire trailer unit) are separated out in each region and delivered to their consignees.

2.9 Trucks are sealed when they leave France and are not subject to any customs controls until they arrive in Morocco. In 1991 the company was granted a concession in the port of Mohammédia (35 km north of Casablanca) and was recognized as a customs forwarding agent. It has built several sheds and warehouses there, and is the only company able to:

- . Handle its own freight.
- . Avoid unloading its trucks in the bonded warehouses of the port of Casablanca.
- . Avoid reloading merchandise.
- . Avoid using customs forwarding agents, who are remunerated on an ad valorem basis.
- . Offer door-to-door service from the factory in France, with delivery to the consignee of goods cleared through customs.
- . Provide quick service -- a truck arriving in Mohammédia on a Tuesday morning can deliver its shipment (in the city) the same afternoon. The same truck entering the bonded warehouses of ODEP in Casablanca could not deliver until Thursday.
- . Avoid paying informal remuneration in the port of Casablanca.

2.10 Freight rates are those paid for road transport plus crossing of Strait of Gibraltar. Three sea routes, Cadiz-Casablanca, Cadiz-Tangier, or Algeiras-Tangier, can be used with vessels of Moroccan or Spanish registry: COMANAV operates from Cadiz to Casablanca and from Cadiz to Tangier, while three Spanish shipping companies offer service between Algeiras and Tangier. Sea freight on a 13.5 m semi-trailer between Cadiz and Casablanca is 4,000 French francs (f). Road time from Paris, Toulouse, or Marseilles to Mohammédia through Algeiras or Cadiz is 84 hours. Shipowners operating out of Cadiz are prepared to transport semi-trailers without their tractor units; this would reduce average turnaround time for a tractor-trailer unit from ten days to seven. It would cost 50 to 60% less to move a TIR trailer by sea than by road: sea freight is F 350/m³ while the TIR cost is between F 550 and 800/m³. Average consignment size per client is 10 to 20 m³. Price differentials among the six regions of France served do not

exceed 10 to 15%. Freight rates are quoted according to the weight-volume ratio which is to the advantage of the transport operator.

2.11 Ninety percent of transport charges, both on imports to Morocco and exports to France, are paid in Europe. Insurance costs are included in scheduled rates and are subject to the clauses and conditions of the Geneva Convention (CNN).

Barriers and Excess Costs

2.12 Several barriers and potential savings were identified in this case study:

- The charges payable to forwarding agents are computed ad valorem. For example, on a shipment worth 200,000 dirhams (Dh), HAD (*honoraires d'agréés en douane*) fees were 0.4% and fixed fees were of DH 800 per customs declaration. Potential savings could amount to 50% if transit charges were paid per ton.
- Port taxes in Casablanca, unlike those in most other countries, are assessed ad valorem at rates of 0.2% on imports and 0.15% on exports. Potential savings could amount to 50% if taxes were charged on a tonnage basis.
- Moroccan customs regulations require that all trailers be unloaded after disembarkation for inspection and clearance. This procedure gives rise to double handling charges and thus generates an excess cost, as well as added risk of damage and loss. If customs authorities have allowed goods to be cleared at factories, potential savings would be 100%.
- Customs clearance, which still includes some manual processes (verification of value of goods and possible adjustment by the customs office, issue of delivery order, audit of manifest), can take anywhere from 24 to 72 hours 1/m an average of 60% of transportation time.
- Restrictions on ship registry on these sea routes precludes free competition. Savings from undoing restrictions could amount to 25%.
- Moroccan insurance is compulsory on all f.o.b. purchases and C&F sales. The premium of 0.88% is much higher than the Lloyds figure. Savings from matching Lloyds' figure could amount to 50%.

Tunisia: Transport Chain for Citrus Fruits

2.13 Tunisia's citrus export trade consists almost exclusively of its Maltese-variety oranges, nearly all of which are shipped to France through Marseilles. Even today this traffic follows its traditional route: it is centered on the Marseilles fruit exchange and is based on long-established Franco-Tunisian personal and commercial relations. Adherence to this pattern remains because of proximity, personal and commercial relationships stretching back to the days of the Protectorate, and certain advantages available to Tunisian exporters, including rebates at Marseille (paid in French francs) to offset the strictness of the Tunisian foreign exchange authorities.

Logistics

2.14 The country's citrus orchards are concentrated around Cap Bon and Bizerta. About 40,000 tons of oranges are produced yearly. Between 20,000 and 30,000 tons are exported to France and roughly 3,000 tons were sold to Yugoslavia (prior to 1989). Export activity is shared among 17 authorized export growers (or growers' cooperatives). The fruit is processed at 17 packing plants (one of which is state-owned) and is transported on pallets. The pallets are transported by truck to the port of Radès, where they are stacked on the docks. OFITEC, an interprofessional authority, inspects samples to control for plant health (sugar-acidity ratios) and for quality (size, ripeness).

2.15 During the fruit exporting season (December to the end of April), exporters may load produce on Monday, Tuesday, Wednesday, and Saturday onto roll on/roll off vessels reserved mainly for orange export traffic. One of these vessels is operated by CTN and two are operated by Sud Cargo. Forklift trucks are used to stow the fruit in ventilated holds. The Tunis-Marseilles crossing takes 48 hours. The average size of the cargo shipped on one of these ro/ro vessels is 500 tons, although they are capable of carrying 1,000 tons. Shipments to Yugoslavia were usually around 500 tons, and were carried under a special agreement with the shipping company.

Barriers and Excess Costs

2.16 Because low tonnages are shipped, other shipowners are kept out even though the freight rates paid are attractive. However, vessels used are in poor condition: ventilation is inadequate, their limited speed cannot offset the effects of bad weather at sea, and instability could lead to damage if cargo has been improperly stowed.

2.17 Because quality controls and plant-health inspections are not carried out at packing plants, rejected lots have to be returned by road, and pallets have to be reconstituted after samples have been taken for inspection and control purposes.

2.18 STAM, the only cargo-handling company in the port of Radès, is the focus of many criticisms: it handles its operations carelessly, its personnel is unmotivated, and it is short of forklifts on the dock. Stevedoring costs in the port of Marseilles are abnormally high.

2.19 Obligatory passage through the Marseilles fruit exchange prevents the diversification into other major import ports like Sète and Port Vendres. But the sales of Maltese-variety oranges are brokered by commission agents who control their distribution in Europe. Tunisia's foreign exchange controls prevent exporters to Marseilles from organizing by maintaining the dominance of commission agents. If exporters formed a group, they could purchase or lease storage space in Marseilles to regulate deliveries and store their fruit in ventilated warehouses. Operating from their own commercial premises would give them a better understanding of their market and enable them to exercise some leverage over commission agents by subjecting them to competition.

2.20 Each exporter or exporting cooperative owns and operates its own fruit packing plant. But exporters could take advantage of scale economies if packing and palletization were carried out at only two or three centers, each having the capacity to handle 10,000 tons of fruit. In addition to making it easier to move customs operations away from the docks, the embarkation process would take less time, low-quality lots would be removed at the packing plant, and the cost of transporting rejected lots from the port back to the plant and the cost of reconstituting pallets would be saved. The possibility of loading the fruit into containers and sealing them at the packing plant also allows for delivery to consumption points without requiring handling or breaking bulk in the port of Marseilles and the possibility of direct distribution over long distances.

2.21 Although export sea freight rates are 30 to 40% lower than conference-based rates, further adjustments may be made. Generally speaking, freight rates and costs (including insurance charges) are as follows:

| | |
|---|------------------------------|
| . Sea freight Tunis-Marseilles on ro/ro vessel : | 180 French francs per ton |
| . Loading charges (STAM): | 12 dinars (Dh) per ton |
| . Unloading charges in Marseilles (90kg pallets): | 118 French francs per pallet |
| . Transit charges, dock sorting, pick up: | 178 French francs per ton |

2.22 Transportation conditions could be upgraded if the following steps were taken by the exporters association and the entire profession:

- . Improving ventilation of ro/ro vessels loading in Tunis.
- . Improving vessel stability (instability causes major delays in poor weather).
- . Conducting plant health and quality inspection procedures at packing plants.
- . Revising STAM and Marseilles rate schedules.

Recapitulation of excess costs

2.23 Potential savings can be expressed in terms of the c.i.f. price per kg of oranges (Table 2.2).

| <i>Excess costs</i> | <i>c.i.f. price</i> | <i>Potential savings</i> | <i>Percentage of savings</i> |
|--------------------------------|---------------------|--------------------------|------------------------------|
| FAS price 1/m Tunis | 2.50 | 0.125 | 5 |
| Loading charges 1/m Tunis | 0.06 | 0.006 | 10 |
| Sea freight | 0.18 | 0.009 | 5 |
| Unloading 1/m Marseilles | 0.13 | 0.013 | 10 |
| Transit/pick-up 1/m Marseilles | 0.18 | 0.036 | 20 |
| Forwarding agent charges | 0.46 | 0.023 | 5 |
| c.i.f. price 1/m Marseilles | 3.51 | 0.212 | 6 |

Total excess costs represent 8.3% of the value of orange exports or 117% of the cost of freight, or 22% of the cost of the port-to-port transport chain.

Algeria: Transport Chain for Power Network Equipment

Logistics

2.24 This Algerian company imports and erects high-voltage power lines and equips a power station. Its major Algerian clients are SONALGAS and SNTF (300 km of lines).

Barriers to trade

2.25 Sources of excess costs for this company include:

- . Customs formalities are carried out slowly and regulations are applied arbitrarily.
- . SNTF does not have transport vehicles available on scheduled delivery dates, which increases storage costs by 100 to 150%. Storage charges, paid on a tonnage basis, are added to daily holding charges, paid by shipment.
- . Virtually all Algerian ports lack stacking yards for in-bond storage.
- . SONALGAS and SNTF are responsible for customs clearance. SONALGAS often delegates a forwarding agent to handle this process, which requires additional to 6 to 7 weeks. During this time storage in the port (less the number of free days allowed) must be paid for, and the risk of pillage and damage is heightened. On the other hand under a turnkey contract, the contractor is responsible for customs clearance.
- . Transit charges are very high: 1.25% ad valorem, with a minimum payment of Algerian dinars (DA) 1,000 per operation.
- . Merchandise deteriorates during port holding time: of 12 reels of copper wire, six were damaged at time of pick-up.
- . Inflammable, dangerous, or toxic products may not remain in port precincts, but must go through a special customs procedure known as "temporary collection," where they are hoisted directly onto trucks. When customs authorities failed to coordinate with the shipping company, receiving agent, forwarding agent, and transport operator, triple freight charges were paid: the consignment wasn't unloaded and was thus carried on three successive voyages.
- . A standard government contract offers a bonus payment when a foreign subcontractor enters into partnership with an Algerian firm to execute the contract.

Calculation of excess costs

2.26 Cargo valued at US\$300 per ton for excess costs deriving from stevedoring and handling include:

- . Breakbulk cargo at a rate of 150 tons/team/shift, or
150 tons x 3 shifts = 450 tons/day
450 tons x 3 holds = 1,350 tons/day
- . Compared with the rate at which merchandise is unloaded in the port of Casablanca, there is a negative differential of 225 tons/year, or a 17% lower unloading rate.
- . Unloading cost per ton: DA 302.46.
- . Excess cost arising from the lower loading rate: 17% x DA302.46 per ton = DA 51.41 per ton.
- . Cost of premium (10%) paid for the Algiers loading rate: DA 30.25 per ton.
- . Total excess unloading cost: DA 81.66 per ton (0.6% ad valorem).

2.27 CNAN freight rates carry an excess cost of US\$2 to 3 per ton over those quoted by GEMA (outsider or charter rates), falling to US\$0.625 (0.2% ad valorem) on imports.

2.28 Delay attributable to lengthy customs formalities are estimated from the survey at US\$1 to 2 per ton (0.5% ad valorem).

2.29 Because customs procedures are only partially computerized, clearance formalities are slower, adding an average of six days of storage in Algiers. Excess costs amount to DA 6.9/ton/day x 6 days = DA 41.6 per ton (0.3% ad valorem).

2.30 If transit charges were reduced to the levels in Morocco (adjusted for any distortions) an excess cost of DA 120 per ton (0.8% ad valorem) would be saved.

2.31 Nonavailability of SNTR land transport vehicles delays pick-up operations and can increase normal warehousing and storage by up to 150%.

Cost of normal port storage period per ton per day:

| | | | |
|--------------------|------------------|---|---------------------------|
| Transit charges: | DA 3.30 x 5 days | = | DA 16.5 |
| Storage charges: | DA 6.90 x 5 days | = | DA 34.5 |
| Total | | = | DA 51.0 |
| Excess cost (150%) | | = | DA 76.5 (0.5% ad valorem) |

2.32 Total excess costs amount to DA 421.56 per ton (2.9% ad valorem). This figure is very high 1/m 3.5 times the cost of sea freight. Percentages in the same range affect exports, the corresponding loss of competitiveness being a major obstacle to market development. It must be noted, however, that three key elements of excess cost are expressed as Algerian dinars equivalent to the US\$ value, so that fluctuations in the exchange rate may alter excess cost considerably. For instance, the 1994 devaluation of the Algerian dinar increased the excess cost (expressed in dinars) by 35%, but lowered the ad valorem percentage (the more important ratio) by 32%.

ANNEXES

A1. CALCULATION OF AD VALOREM EXCESS COSTS

. ALGERIA

. MOROCCO

. TUNISIA

Table A1.1 : Algeria - Calculation of Ad Valorem Excess Costs

| Imports | Iron and Steel | Cereals | Electrical Material | Wood | Pharma. Products | Dairy Products | Fertilizers | Sugar | Total Imports |
|---|-----------------------|----------------|----------------------------|--------------|-------------------------|-----------------------|--------------------|--------------|----------------------|
| Volume 1991 (tons) | 670,000 | 4,990,000 | 461,500 | 658,000 | 33,000 | 216,654 | 91,800 | 732,000 | 7,852,954 |
| Value (US\$ 1000) | 223,780 | 623,750 | 2,748,500 | 215,930 | 285,433 | 364,195 | 20,196 | 233,508 | 4,715,293 |
| Unit Value (US \$);FOB for Exp,C IF for Imp | 334 | 125 | 6,000 | 328 | 8,649 | 1,681 | 220 | 319 | |
| Ad Valorem Excess Costs (%) | 6.00 | 2.60 | 1.50 | 3.00 | 1.50 | 1.50 | 1.00 | 2.50 | 1.98% |
| Excess Costs (US\$/Ton) | 20 | 3 | 90 | 10 | 130 | 25 | 2 | 8 | 288 |
| Total Excess Costs (US\$1000) | 13,427 | 16,218 | 41,535 | 6,478 | 4,281 | 5,463 | 202 | 5,838 | 93,441 |
| Increased Export Benefit (%) (1) | | | | | | | | | |
| Increased Export Benefit (US\$1000) (1) | | | | | | | | | |
| Increased Welfare Benefits (US\$1000) (1) | 13,427 | 16,218 | 41,535 | 6,478 | 4,281 | 5,463 | 202 | 5,838 | |
| Transport Mode (2) | M | M | M | M | M | M | M | M | |
| Handling Mode (3) | V | V | G | V | G/C | C | V/S | V | |

| Exports | Fruits Vegetables | Wine | Total Exports | Total Imports and Exports |
|---|--------------------------|-------------|----------------------|----------------------------------|
| Volume 1991 (tons) | 148,000 | 26,400 | 174,400 | 8,027,354 |
| Value (US\$ 1000) | 39,220 | 17,556 | 56,776 | 4,772,069 |
| Unit Value (US \$) ;FOB for Exp;CIF for Imp | 265 | 665 | | |
| Ad Valorem Excess Costs (%) | 3.50 | 1.00 | 2.73% | 1.99% |
| Excess Costs (US\$/Ton) | 9 | 7 | 16 | 282 |
| Total Excess Costs (US\$ 1000) | 1,373 | 176 | 1,548 | 94,990 |
| Increased Export Benefits (%) (1) | 2 | 11 | | |
| Increased Export Benefit (US\$1000) (1) | 78,440 | 193,116 | | |
| Increased Welfare Benefits (US\$1000) (1) | | | | |
| Transport Mode (2) | M | M | | |
| Handling Mode (3) | C | V | | |

Source : Survey data, year 1993

(1) Assuming all transport-related distortions are eliminated.

(2) Transport Mode: M : Maritime, R : Road, T : Train, A : Air, I : Intermodal

(3) Handling Mode : Container/Trailer, G : General Cargo, B : Bulk, Ba : Bags

Table A1.2: Morocco: Calculation of Ad Valorem Excess Costs

| Imports | Auto Parts | Cereals | Sulfur | Wood | Sugar | Iron and Steel | Fertilizer | Total Imports |
|---|------------|--------------|------------|--------------|--------------|----------------|------------|---------------|
| Volume 1991 (tons) | 8,012 | 3,500,000 | 2,660,000 | 590,000 | 364,000 | 569,000 | 194,000 | 7,885,012 |
| Value (US\$ 1000) | 38,305 | 423,395 | 316,540 | 200,010 | 100,100 | 247,515 | 21,922 | 1,347,787 |
| Unit Value (US \$);FOB for Exp,C IF for Imp | 4,781 | 121 | 119 | 339 | 275 | 435 | 113 | |
| Ad Valorem Excess Costs (%) | 3 | 2 | 0.30 | 3.00 | 2.00 | 4.50 | 0.50 | 2.05% |
| Excess Costs (US\$/Ton) | 124 | 2 | 0.36 | 10 | 6 | 20 | 1 | 162 |
| Total Excess Costs (US\$1000) | 996 | 6,410 | 950 | 6,000 | 2,002 | 11,138 | 110 | 27,606 |
| Increased Export Benefit (%) (1) | | | | | | | | |
| Increased Export Benefit (US\$1000) (1) | | | | | | | | |
| Increased Welfare Benefits (US\$1000) (1) | 996 | 6,410 | 950 | 6,000 | 2,002 | 11,138 | 110 | |
| Transport Mode (2) | M | M | M | M | M | M | M | |
| Handling Mode (3) | G | V | V | V | V/S | V | S | |

| Exports | Textile | Dry Fruits | Fruits and Vegetables | Canned Food | Total Exports | Total Imports and Exports |
|---|------------|------------|-----------------------|--------------|---------------|---------------------------|
| Volume 1991 (tons) | 41,630 | 2,333 | 10,000 | 100,000 | 153,963 | 8,038,975 |
| Value (US\$ 1000) | 725,444 | 2,741 | 4,450 | 170,000 | 902,636 | 2,250,423 |
| Unit Value (US \$);FOB for Exp,C IF for Imp | 17,426 | 1,175 | 445 | 1,700 | | |
| Ad Valorem Excess Costs (%) | 0.10 | 2.69 | 12.00 | 1.00 | 0.34% | 1.36% |
| Excess Costs (US\$/Ton) | 17 | 32 | 53 | 17 | 119 | 161 |
| Total Excess Costs (US\$1000) | 725 | 74 | 534 | 1,700 | 3,033 | 30,639 |
| Increased Export Benefit (%) (1) | 1 | 3 | 5 | 3 | | |
| Increased Export Benefit (US\$1000) (1) | 725,444 | 8,224 | 22,250 | 510,000 | | |
| Increased Welfare Benefits (US\$1000) (1) | | | | | | |
| Transport Mode (2) | M | M | M | M | | |
| Handling Mode (3) | C | G | S | G | | |

Source : Survey data, year 1993

(1) Assuming all transport-related distortions are eliminated.

(2) Transport Mode: M : Maritime, R : Road, T : Train, A : Air, I : Intermodal

(3) Handling Mode : Container/Trailer, G : General Cargo, B : Bulk, Ba : Bags

Table A1.3: Tunisia : Calculation of Ad Valorem Excess Costs

| Imports | Textile | Iron and Steel | Machinery | Chemical Products | Cereals | Sulfur | Wood | Total Imports |
|---|---------------|----------------|--------------|-------------------|--------------|------------|--------------|---------------|
| Volume 1991 (tons) | 183,000 | 415,000 | 118,000 | 550,000 | 1,120,000 | 1,127,000 | 226,000 | 3,739,000 |
| Value (US\$ 1000) | 237,900 | 180,525 | 2,845,688 | 19,250 | 151,200 | 134,113 | 74,354 | 3,643,030 |
| Unit Value (US \$);FOB for Exp,C IF for Imp | 1,300 | 435 | 24,116 | 35 | 135 | 119 | 329 | |
| Ad Valorem Excess Costs (%) | 7.8 | 4.41 | 0.32 | 0.5 | 1.5 | 0.3 | 3 | 1.12% |
| Excess Costs (US\$/Ton) | 101 | 19 | 77 | 0 | 2 | 0 | 10 | 10 |
| Total Excess Costs (US\$1000) | 18,556 | 7,961 | 9,106 | 96 | 2,268 | 402 | 2,231 | 40,621 |
| Increased Export Benefit (%) (1) | | | | | | | | |
| Increased Export Benefit (US\$1000) (1) | | | | | | | | |
| Increased Welfare Benefits (US\$1000) (1) | 18,556 | 7,961 | 9,106 | 96 | 2,268 | 402 | 2,231 | |
| Transport Mode (2) | M | M | M | M | M | M | M | |
| Handling Mode (3) | C | V | G | V | V | V | V | |

| Exports | Textile | Fruits and Vegetables | Olive Olive Oil | Dates | Total Exports | Total Imports and Exports |
|---|--------------|-----------------------|-----------------|------------|---------------|---------------------------|
| Volume 1991 (tons) | 91,000 | 30,000 | 155,000 | 15,000 | 291,000 | 4,200,000 |
| Value (US\$ 1000) | 2,184,000 | 19,680 | 148,800 | 37,500 | 2,389,980 | 6,079,760 |
| Unit Value (US \$);FOB for Exp,C IF for Imp | 24,000 | 656 | 960 | 2,500 | | |
| Ad Valorem Excess Costs (%) | 0.4 | 48.78 | 7.29 | 1.09 | 1.24% | 1.17% |
| Excess Costs (US\$/Ton) | 96 | 320 | 70 | 27 | 513 | 497 |
| Total Excess Costs (US\$1000) | 8,736 | 9,600 | 10,848 | 409 | 29,592 | 71,148 |
| Increased Export Benefit (%) (1) | 2% | 2% | 1% | 2% | | |
| Increased Export Benefit (US\$1000) (1) | 43,680 | 394 | 1,488 | 750 | | |
| Increased Welfare Benefits (US\$1000) (1) | | | | | | |
| Transport Mode (2) | M | M | M | M | | |
| Handling Mode (3) | C | S | V | G | | |

Source : Survey data, year 1993

(1) Assuming all transport-related distortions are eliminated.

(2) Transport Mode: M : Maritime, R : Road, T : Train, A : Air, I : Intermodal

(3) Handling Mode : Container/Trailer, G : General Cargo, B : Bulk, Ba : Bags

International Trade in 1991

| <i>Country</i> | <i>Exports (billion US\$)</i> | <i>Total % of Exports</i> | <i>Imports (billion US\$)</i> | <i>Total % of Imports</i> |
|------------------------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| U.E. Industrialized | 24.0 | 74.7 | 18.4 | 65.0 |
| Countries of Asia | 1.2 | 3.7 | 1.4 | 5.0 |
| A.L.E.N.A. | 1.7 | 5.3 | 2.5 | 8.8 |
| P.E.D. | 4.2 | 13.1 | 4.9 | 17.3 |
| Maghreb | 1.0 | 3.2 | 1.1 | 3.9 |
| Total | 32.1 | 100.0 | 28.3 | 100.0 |

Source : CIDC, 1993

Trade of the Maghreb Countries in 1991

| <i>Country</i> | <i>Exports (in thousands of US\$)</i> | | | <i>Imports (in thousands of US\$)</i> | | |
|----------------|---------------------------------------|----------------------|-------------------------------|---------------------------------------|----------------------|-------------------------------|
| | <i>To Maghreb (1)</i> | <i>Total (2)</i> | <i>Part (1)/(2) %</i> | <i>From Maghreb (3)</i> | <i>Total (4)</i> | <i>Part (3)/(4) %</i> |
| Algeria | 152 | 12,314 | 1.2 | 151 | 9,104 | 1.6 |
| Libya | 190 | 10,775 | 1.7 | 482 | 6,001 | 8.0 |
| Morocco | 357 | 4,528 | 7.9 | 244 | 7,254 | 3.36 |
| Mauritania | 9 | 515 | 7.9 | 22.2 | 472 | 4.7 |
| Tunisia | 340 | 3,895 | 8.7 | 210 | 5,459 | 3.8 |
| Total | 1,048 | 32,027 | 3.2 | 1,109 | 28,289 | 3.9 |

Source: CIDC, 1993

**Regional Profile of Exports in the Maghreb
(All Products)**

| | 1970 | 1980 | 1986 | 1990 |
|-----------------------------------|-------------------|------|------|------|
| | <i>Percentage</i> | | | |
| To Algeria : | | | | |
| CEE (12) | 81.0 | 43.4 | 73.4 | 67.2 |
| Other countries of Western Europe | 1.9 | 1.0 | 1.8 | 4.4 |
| Other developing countries | 1.1 | 51.1 | 18.0 | 18.6 |
| Total | 84.0 | 95.5 | 93.3 | 90.3 |
| Ancient EPCs | 9.1 | 1.9 | 1.1 | 1.7 |
| To Morocco : | | | | |
| CEE (12) | 72.8 | 62.7 | 58.2 | 65.0 |
| Other countries of Western Europe | 2.7 | 4.3 | 6.2 | 4.5 |
| Other developing countries | 3.7 | 2.3 | 3.3 | 4.0 |
| Total | 79.1 | 69.3 | 67.7 | 73.5 |
| Ancient EPCs | 10.4 | 12.1 | 7.9 | 2.6 |
| To Tunisia : | | | | |
| CEE (12) | 62.1 | 72.1 | 73.8 | 77.8 |
| Other countries of Western Europe | 4.5 | 1.5 | 2.8 | 1.6 |
| Other developing countries | 0.7 | 13.4 | 1.0 | 0.4 |
| Total | 67.2 | 87.1 | 75.7 | 79.7 |
| Ancient EPCs | 9.8 | 2.2 | 6.6 | 2.4 |

Source : Information of the CATT exchanges accessed by the BIRD, TARS System

Annex III: Logistical Constraints Affecting Trade in the Maghreb Countries: Diagnosis

A3.1 This annex describes the barriers identified in the survey, and evaluates the relative importance of these distortions for each country and region. This list of barriers is not exhaustive: for instance, infrastructure-related barriers, generally the best known, are mentioned here only in passing. The principal barriers are enumerated (Table A3) and the survey transcripts, in which they were identified for the first time and described in greater detail, are listed.

A3.2 For each country a barrier incidence table (Tables A3.1-A3.3), was constructed matching trade barriers and products. The group of products examined include most of that country's trade; small-volume activities, some liquid or solid bulk products shipped on tankers, and merchandise shipped through government-owned cargo handling companies (shipboard and dock loading/unloading operations) are excluded. In these cases current practices specifying gang size, labor-office hiring orders dictating the number of gangs to be used, or practices modifying penalty rates or premiums to elicit improved productivity cannot be easily changed. This sector must be privatized to become competitive, as was done in the Tunisian ports of Sousse and Sfax resulting in a 25% reduction in costs. Handling and storage barriers give rise to three types of excess costs: longer vessel unloading times (demurrage), higher cargo handling costs, and supplementary charges for dock-to-warehouse transfer or storage prolonged by lack of pick-up/collection vehicles. (Categories: TDE1, TDE2 and TDA1. Chains: Textiles, TU; Merchant Marine, TU; Transport Federation, TU; Cereals, MO; Transport/Marine, AL; Electrical & Mechanical Equipment, AL; Iron/Steel, AL.)

Barrier ratings: scope, severity, importance

A3.3 The impact of a trade barrier is a function of its frequency and the excess costs it generates. Three indicators were used to characterize each barrier:

- . **Scope:** The ratio of total trade affected by a barrier to the total value of all products traded by the country. This indicator simply reflects the percentage of trade affected by a barrier.
- . **Severity:** The ratio of total excess cost attributable to this barrier to total excess cost arising from all barriers.
- . **Importance:** The ratio of total excess cost attributable to a barrier to the total value of the trade (examined in the study). This indicator is the most significant of the three. It is akin to an ad valorem excess cost, which links excess costs to the total value of all the country's trade. It also allows barriers rating high in severity but low in scope to be differentiated from barriers rating high in both severity and scope.

Table A3 : Nomenclature of Barriers

| | ABBREVIATION |
|--|--------------|
| TRANSPORT DISTORSIONS | TD |
| <i>A. Traditional Transport Distorsions</i> | <i>TDA</i> |
| Pricing Barrier (road, civil aviation, maritime, railroads) | TDA1 |
| Market Distorting Subsidies and Practices | TDA2 |
| Access Discrimination (quotas, nationalities, regions) | TDA3 |
| <i>B. NTB Restrictions to movements of Goods</i> | <i>TDB</i> |
| Administrative and Procedural Barriers (incl. procurement) | TDB1 |
| Service Barriers (Insurance, Banking, ...) | TDB2 |
| Money & Fiscal Barriers | TDB3 |
| <i>C. Traffic Agreements</i> | <i>TDC</i> |
| Protection of National Fleets | TDC1 |
| European Deregulation (Maritime, Aviation) | TDC2 |
| <i>D. Regional Consolidations</i> | <i>TDD</i> |
| In shipping lines | TDD1 |
| In civil aviation | TDD2 |
| In railways | TDD3 |
| In highways | TDD4 |
| <i>E. Infrastructure Equipment and Facilities</i> | <i>TDE</i> |
| Efficiency Improvements | TDE1 |
| Harbour and Landside transport | TDE2 |
| <i>F. Regional Issues</i> | <i>TDF</i> |
| TRADE HARMONIZATION | TH |
| <i>A. Tariff Structure Simplification</i> | <i>THA</i> |
| <i>B. Customs Procedures Simplification</i> | <i>THB</i> |
| <i>C. Import Tariffs/duties Reduction</i> | <i>THC</i> |
| <i>D. Import Tariffs/Duties Elimination</i> | <i>THD</i> |
| <i>E. Quotas Restriction Elimination</i> | <i>THE</i> |
| <i>F. Elimination of Other NTB</i> | <i>THF</i> |
| TECHNOLOGY GAPS | T |
| <i>A. Standardization</i> | <i>TA</i> |
| Inter AMU | TA1 |
| AMU-Europe | TA2 |
| <i>B. Certification</i> | <i>TB</i> |
| Inter AMU | TB1 |
| AMU-Europe | TB2 |
| <i>C. Telecommunications (at borders)</i> | <i>TC</i> |
| <i>D. Environment (Transp. safety,...)</i> | <i>TD</i> |

Table A3.1: Algeria - Identification of Transport-Related Distorsions

| Products | Iron and Steel | Cereals | Electrical Material | Wood | Pharma. Products | Dairy Product | Fertilizer | Sugar | Fruits and Vegetables | Wines |
|--|----------------|---------|------------------------|------|---------------------|------------------|------------|-------|--------------------------|-------|
| Transport Mode | M | M | M | M | M | M | M | M | M | M |
| Handling Mode | B | B | G | B | G/C | C | B/Ba | B | C | B |
| Import/Export | I | I | I | I | I | I | I | I | E | E |
| 1. Imports | | | | | | | | | | |
| Customs Import Duties | | | | | | | | | | |
| Freight Conference Agreements | X | | X | | X | X | | | | |
| Handling Costs | X | | X | X | X | X | X | | | |
| Domestic Transport Int. | | | | | | | | | | |
| Priority Systems | X | | X | | X | X | X | | | |
| Ad-Valorem Transit Costs | X | | X | X | X | X | X | X | | |
| Ad Valorem Port Tax | | | X | X | X | X | X | X | | |
| Doubling Handling (Stripping, Stuffing, Storage) | | | | | X | | | | | |
| Compulsory National Insurance | X | | X | X | X | X | X | X | | |
| Currency Availability | | | X | X | X | X | X | | | |
| Freight Licencing | | | | | | | X | | | |
| Freight Control Excess Costs | X | X | | X | | | | X | | |
| 2. Exports | | | | | | | | | | |
| Handling Costs | | | | | | | | | | |
| Freight Conference Agreements | | | | | | | | | X | X |
| Unloading Costs | | | | | | | | | X | |
| ONT-Type Tax | | | | | | | | | | |
| Currency Availability | | | | | | | | | | |
| Credit Lines | | | | | | | | | X | X |
| Delays in Currency Provision | | | | | | | | | | |
| Dumping Tir Backhaul Freight | | | | | | | | | | |
| Added Services (CIF-FAS Differential) | | | | | | | | | X | |
| International Marketing Deficiency | | | | | | | | | | |
| Transit Costs | | | | | | | | | X | X |
| Broker Costs | | | | | | | | | X | |
| Domestic Transp. Costs | | | | | | | | | | |

Table A3.1: Algeria - Identification of Transport-Related Distorsions

| Products | Iron and Steel | Cereals | Electrical Material | Wood | Pharma. Products | Dairy Product | Fertilizer | Sugar | Fruits and Vegetables | Wines |
|--|----------------|---------|------------------------|------|---------------------|------------------|------------|-------|--------------------------|-------|
| 3. Trans-Maghreb | | | | | | | | | | |
| Border Tax on Road Vehicules | | | | | | | | | | |
| Trabendo | | | X | | | | | | | |
| Claims on Banque Algerie | | | | | | | | | | |
| Ban on Axle Vehicules | | | | | | | | | | |
| Caisse Compensation Ferroviaire Shortfalls | | | | | | | | | | |
| Rail Engine Switches | | | | | | | | | | |
| Lack of Rail-Road Coordination | | | | | | | | | | |
| Ban on Bulk Rail Traffic | | | | | | | | | | |
| Internal Transport Regulation | | | | | | | | | | |
| ONT-Type Tax | | | | | | | | | | |
| Road Controls | | | | | | | | | | |
| Storage due to Lack of Equipment | X | | X | | | X | X | | | |
| Currency Unstability (Devaluation) | | | X | X | X | X | X | X | X | X |
| Currency Exchange Control | | | X | X | | | | | | |
| 4. Infrastructure | | | | | | | | | | |
| Handling Equipment Shortage | | | | | | | | | | |
| Poor Handling Performance | X | X | X | | | | | X | | |
| Unloading, Storage | X | | X | X | | | X | | | |
| Silos Shortage | | X | | | | | | | | |
| Insufficient Dredging | | | | | | | | | | |
| Computerized customs procedures | | | X | | | | | | | |
| Shortage of Ro-Ro facilities | | | | | | X | | | X | |

Note: Transport Mode : M: Maritime, R : Road, A : Air, I : Intermodal

Handling Mode : C : Container/Trailer, G : General Cargo, B : Bulk, Ba : Bags

Table A3.2: Morocco - Identification of Transport-Related Distorsions

| Products | Auto | Cereals | Sulfur | Wood | Sugar | Iron and | | Textile | Dry fruits | Fruits and | |
|--|-------|---------|--------|------|-------|----------|------------|---------|------------|------------|-------------|
| | Parts | | | | | Steel | Fertilizer | | | Vegetables | Canned food |
| Transport Mode | M | M | M | M | M | M | M | M | M | M | M |
| Handling Mode | G | B | B | B | B/Ba | B | Ba | C | G | Ba | G |
| Import/Export | I | I | I | I | I | I | I | E | E | E | E |
| 1. Imports | | | | | | | | | | | |
| Customs Import Duties | | | | | | | | | | | |
| Freight Conference Agreements | X | | | | | X | X | | | | |
| Handling Costs | X | X | | | X | X | X | | | | |
| Domestic Transport Int. | | | | X | | | | | | | |
| Priority Systems | | | | | | | | | | | |
| Ad-Valorem Transit Costs | X | | | X | X | X | X | | | | |
| Ad Valorem Port Tax | X | | | | | | X | | | | |
| Doubling Handling (Stripping, Stuffing, Storage) | | | | | | | | | | | |
| Compulsory National Insurance | X | X | | X | X | X | X | | | | |
| Currency Availability | | X | | | | | | | | | |
| Freight Licencing | | X | | | | | | | | | |
| Freight Control Excess Costs | | | X | X | X | | | | | | |
| 2. Exports | | | | | | | | | | | |
| Handling Costs | | | | | | | | X | X | | X |
| Freight Conference Agreements | | | | | | | | X | X | | X |
| Unloading Costs | | | | | | | | X | X | | X |
| ONT-Type Tax | | | | | | | | | | | X |
| Currency Availability | | | | | | | | | | | X |
| Credit Lines | | | | | | | | | | | X |
| Delays in Currency Provision | | | | | | | | | | | X |
| Dumping Tir Backhaul Freight | | | | | | | | | | | |
| Added Services (CIF-FAS Differential) | | | | | | | | | | | |
| International Marketing Deficiency | | | | | | | | | | | |
| Transit Costs | | | | | | | | X | X | X | X |
| Broker Costs | | | | | | | | | | | |
| Domestic Transp. Costs | | | | | | | | X | X | | |

Table A3.2: Morocco - Identification of Transport-Related Distorsions

| Products | Auto Parts | Cereals | Sulfur | Wood | Sugar | Iron and Steel | Fertilizer | Textile | Dry fruits | Fruits and Vegetables | Canned food |
|--|---------------|---------|--------|------|-------|-------------------|------------|---------|------------|--------------------------|-------------|
| 3. Trans-Maghreb | | | | | | | | | | | |
| Border Tax on Road Vehicules | | | | | | | | | | | |
| Trabendo | | | | | | | | | | | |
| Claims on Banque Algerie | | | | | | | | | | X | |
| Ban on Axle Vehicules | | | | | | | | | | X | |
| Caisse Compensation Ferroviaire Shortfalls | | | | | | | | | | X | |
| Rail Engine Switches | | | | | | | | | | X | |
| Lack of Rail-Road Coordination | | | | | | | | | | | |
| Ban on Bulk Rail Traffic | | | | | | | | | | X | |
| Internal Transport Regulation | | | | | | X | X | | | | |
| ONT-Type Tax | X | | | | | | | | | | |
| Road Controls | X | | | | | | | X | | | |
| Storage due to Lack of Equipment | | | | | | | | | | | |
| Currency Unstability (Devaluation) | | | | | | | | | | | |
| Currency Exchange Control | X | | | | | | | | | | |
| 4. Infrastructure | | | | | | | | | | | |
| Handling Equipment Shortage | | X | | | X | | | | | | |
| Poor Handling Performance | | | X | | | X | | | | | |
| Unloading, Storage | | | | | | | X | | | | |
| Silos Shortage | | X | | | | | | | | | |
| Insufficient Dredging | | X | | | | | | | | | |
| Computerized customs procedures | | | | | | | | | | | |
| Shortage of Ro-Ro facilities | | | | | | | | | | | |

Note: Transport Mode : M: Maritime, R : Road, A : Air, I : Intermodal
 Handling Mode : C: Container/Trailer, G: General Cargo, B: Bulk, Ba: Bags

Table A3.3: Tunisia - Identification of Transport-Related Distorsions

| Products | Iron and | | Machinery | Chemical | | Cereals | Sugar | Sulfur | Wood | Fruits and | | |
|--|----------|-------|-----------|----------|----------|---------|-------|--------|------|------------|-----------|--------|
| | Textile | Steel | | Products | Products | | | | | Vegetables | Olive Oil | Dattes |
| Transport Mode | M | M | M | M | M | M | M | M | M | M | M | M |
| Handling Mode (*) | C | B | G | B | B | G | B | B | C | Ba | B | G |
| Import/Export | I | I | I | I | I | I | I | I | E | E | E | E |
| 1. Imports | | | | | | | | | | | | |
| Customs Import Duties | | | | | | | | | | | | |
| Freight Conference Agreements | X | X | X | X | | | | | | | | |
| Handling Costs | X | X | X | X | | X | | | X | | | |
| Domestic Transport Int. | | | | | | | | | | | | |
| Priority Systems | | | | | | | | | | | | |
| Ad-Valorem Transit Costs | | X | X | X | | X | | | X | | | |
| Ad Valorem Port Tax | | | | | | | | | | | | |
| Doubling Handling (Stripping, Stuffing, Storage) | | | | | | | | | | | | |
| Compulsory National Insurance | | X | X | X | | X | X | X | | | | |
| Currency Availability | | | | X | | X | | X | | | | |
| Freight Licencing | | | | | | | | | | | | |
| Freight Control Excess Costs | | | | | | X | X | X | X | | | |
| 2. Exports | | | | | | | | | | | | |
| Handling Costs | | | | | | | | | | X | X | X |
| Freight Conference Agreements | | | | | | | | | X | X | | X |
| Unloading Costs | | | | | | | | | | X | | |
| ONT-Type Tax | | | | | | | | | | | | |
| Currency Availability | | | | | | | | | | | | |
| Credit Lines | | | | | | | | | | | | |
| Delays in Currency Provision | | | | | | | | | | | | |
| Dumping Tir Backhaul Freight | | | | | | | | | | | | |
| Added Services (CIF-FAS Differential) | | | | | | | | | | | | |
| International Marketing Deficiency | | | | | | | | | | | X | |
| Transit Costs | | | | | | | | | | | X | X |
| Broker Costs | | | | | | | | | | | X | |
| Domestic Transp. Costs | | | | | | | | | | | X | |

Table A3.3: Tunisia - Identification of Transport-Related Distorsions

| Products | Iron and | | Machinery | Chemical | | Cereals | Sugar | Sulfur | Wood | Fruits and | | |
|--|----------|-------|-----------|----------|------------|---------|-------|--------|------|------------|--------|---|
| | Textile | Steel | | Products | Vegetables | | | | | Olive Oil | Dattes | |
| 3. Trans-Maghreb | | | | | | | | | | | | |
| Border Tax on Road Vehicules | | | | | | | | | | | | |
| Trabendo | | | | | | | | | | | | |
| Claims on Banque Algerie | | | | | | | | | | | | |
| Ban on Axle Vehicules | | | | | | | | | | | | |
| Caisse Compensation Ferroviaire Shortfalls | | | | | | | | | | | | |
| Rail Engine Switches | | | | | | | | | | | | |
| Lack of Rail-Road Coordination | | | | | | | | | | | | |
| Ban on Bulk Rail Traffic | | | | | | | | | | | | |
| Internal Transport Regulation | | | | | | | | | | | | |
| ONT-Type Tax | | | | | | | | | | | | |
| Road Controls | | | | | | | | | | | | |
| Storage due to Lack of Equipment | | X | | X | | | | | | | | |
| Currency Unstability (Devaluation) | | | | | | | | | | | | |
| Currency Exchange Control | | | | | | | X | X | | | | X |
| 4. Infrastructure | | | | | | | | | | | | |
| Handling Equipment Shortage | X | | | | | X | | | | X | | |
| Poor Handling Performance | X | | | X | | | | X | | | | |
| Unloading, Storage | | X | | | | | | | X | | | |
| Silos Shortage | | | | | | X | | | | | | |
| Insufficient Dredging | | | | | | | | | | | | |
| Computerized customs procedures | | | | | | | | | | | | |
| Shortage of Ro-Ro facilities | | | | | | | | | | | | |

Note: Transport Mode : M: Maritime, R : Road, A : Air, I : Intermodal
 Handling Mode : C : Container/Trailer, G : General Cargo, B : Bulk, Ba : Bags

A3.4 The description given of each barrier is followed by a reference identifying the surveys from which the information came. This reference is followed by the category that it belongs to. Next, barriers are rated by country in terms of their scope, severity, and importance.

Import-related barriers

A3.5 Customs Import Duty. Unlike their competitor countries, the European Union in particular, the Maghreb countries have enacted customs tariffs that frequently penalize the use of modern means of transport and their maintenance with taxes on spare parts. (Category THC. Transport Chains: Cereals, MO; Professional Associations, MO; Textiles, MO; Iron/Steel and Machinery, TU).

A3.6 Freight Conference Agreements. Some of these agreements, which originated for historical reasons or in bilateral traffic arrangements, set North-South and South-North rate schedules for Algeria, Morocco, and Tunisia. These rates ensure consignors that general cargo and ro/ro services will regularly be available, but they eliminate competition based on rebates. Conference agreements, which group and protect signatory shipowners, prescribe the number and types of vessels in service, the freight rates for different categories of merchandise, and the rebates (prorated according to tonnage) to the consignor appearing on the bill of landing. Agreements of the 40-40-20 type (UNCTAD agreements) cover actual goods traffic, granting national registry vessels exclusive rights to 80% of freight volume and leaving the remaining 20% open to competition.

A3.7 Handling Costs. All Algerian and Moroccan ports, as well as the main ports of Tunisia, are operated by government-owned cargo handling companies. This results in:

- . Elimination of the beneficial effects of competition on rate schedules.
- . Low productivity as a consequence of poor company management.
- . Poor company self-financing capacity as a consequence of insufficient budget allocations for maintenance and equipment purchases by zone.
- . Rigidities on the part of dock workers.

A3.8 The excess cost attributable to these factors may be as high as 30% of the rates that would be quoted by a private independent operator. (Category, TDE1. Chains: Iron/Steel, AL; Electrical and Mechanical Equipment, AL; Port Authorities, AL; Transport/Maritime, AL; Cargo, Almonds and Industrial Machinery, MO.)

A3.9 Domestic Transport Regulations: The most striking example is seen in Morocco in the case of the National Transportation Authority (ONT, *Office National des Transports*), which regulates and coordinates all domestic shipments by vehicles weighing more than 8 tons (in gross weight). The country is divided into independent administrative zones. No vehicle may travel without an ONT road permit (*feuille de route*) which costs 5% of the value of the freight, or a receipt for payment of an additional 4.5 to 5.0% coordination tax (which is partially

redistributed to the road transport cooperatives). Beyond this 10% excess cost, ONT rigidities seldom allow the loading of backhaul shipments, so vehicles return empty most of the time. The system is further hindered by road check points throughout the country, with their inevitable informal payments and considerable delays. This type of barrier increases transport costs by 7 to 15%. (Category: TDB1. Chains: TIR Transport, MO; Pharmaceutical Products, AL; Timber Imports, AL; Electrical and Mechanical Equipment, AL; Textiles, MO.)

A3.10 Quantitative Restrictions. This barrier is particular to Algeria, which in 1993 classified all imports under three headings: strategic product, prohibited products, and controlled products.¹ By eliminating or reducing small-volume traffic flows in products essential to the population, this regulation generates numerous informal and clandestine traffic flows. The withholding of import licences, needed to purchase foreign exchange, paralyzes or penalizes whole trade sectors, including inter-Maghreb trade. (Category THE. Chain: Transport, AL.)

A3.11 Ad Valorem Transit Charges. In each of the three countries forwarding agents must hold a licence issued by the customs department. Granting of licences is subject to the agent's financial guarantees, reputation, experience, and knowledge of customs procedures. Licences are often granted to international transport companies. When transit charges are geared to the value of the merchandise and not to the cost of the services rendered, they can raise excess costs considerably affecting the entire transport process. (Category: TDA1. Chains: Electrical and Mechanical Equipment, AL; Textiles, MO; TIR Transport, MO.)

A3.12 Ad Valorem Port Tax. This tax is specific to the port of Casablanca. Paid by the forwarding agent, it is a tax on merchandise and is added to the loading and unloading charges paid by shipping companies (0.2% of CIF value for imports and 0.15% of FOB value for exports). The resulting excess cost was studied as part of the analysis of a Moroccan transport chain and was viewed in relation to average port taxes throughout the world, which, whenever they exist, are assessed on a tonnage or volume (m³) basis. (Category: TDA1. Chains: Textiles, MO; TIR Transport, MO.)

A3.13 Double Handling Costs. This excess cost item is attributable to the limitations of customs procedures, which may be technological (too little computerization) or locational (customs clearance within port precincts). While this applies to Algeria in particular, it also applies to Morocco and Tunisia, although to a lesser degree because TIR customs formalities are often carried out *in situ* at clothing factories in both import and export operations. Excess costs arise in connection with the stripping of trailers or containers for inspection on bonded premises and their reloading after clearance for delivery. Double handling becomes necessary, and instances of theft and damage increase. In addition, deliveries are delayed (time is becoming an important factor in determining the true cost of products). (Categories: TDE1, THB. Chains: Electrical and Mechanical Equipment, AL; Cargo, Almonds, Electrical and Mechanical Equipment, MO; TIR Transport/ Textiles, MO; Sea Transport, MO.)

¹ This classification was abolished in 1994.

A3.14 Compulsory National Insurance. To promote domestic insurance-company development, Algeria, Morocco and Tunisia have enacted legislation requiring all FOB import operations and C&F export operations to be insured by domestic companies. This insurance does away with the play of international competition, limits guarantees, delays settlement of disputes, and generates a major ad valorem excess cost in both import and export operations (up to 50% of premiums). (Category, TDB2. Chains: Electrical and Mechanical Equipment, AL; TIR Transport/Textiles, MO; Textiles, MO.)

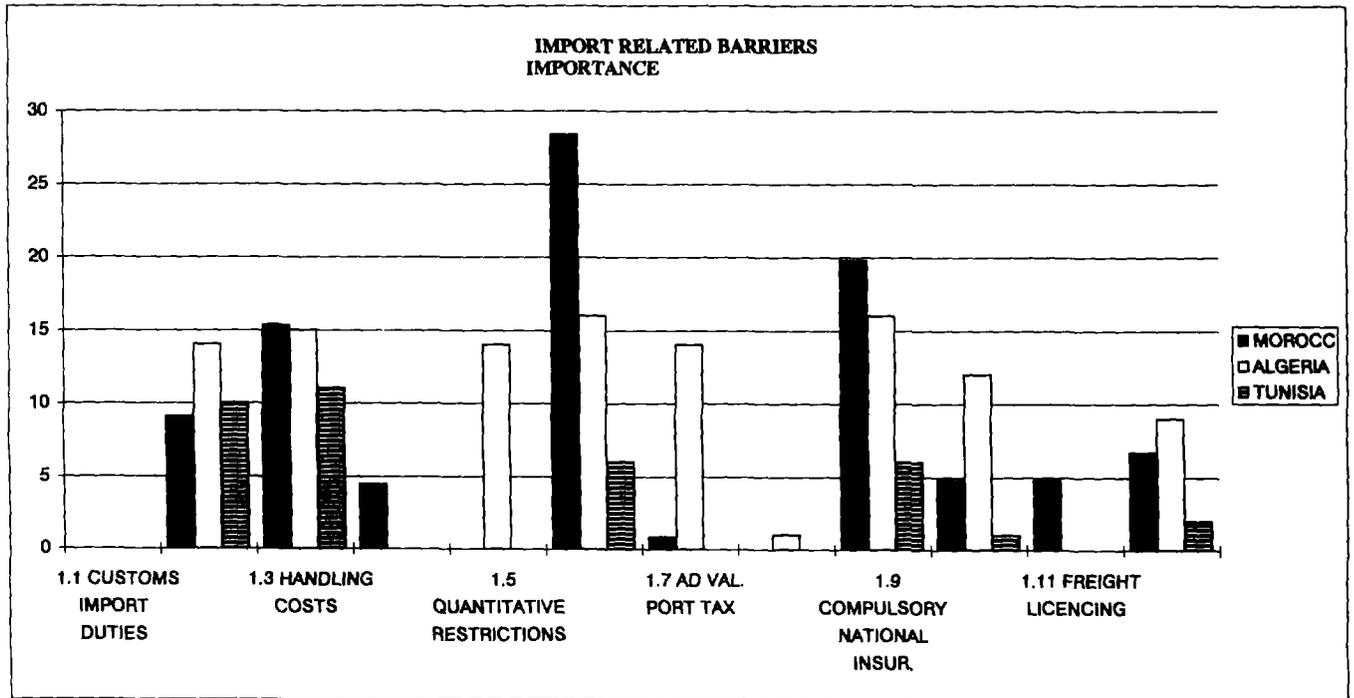
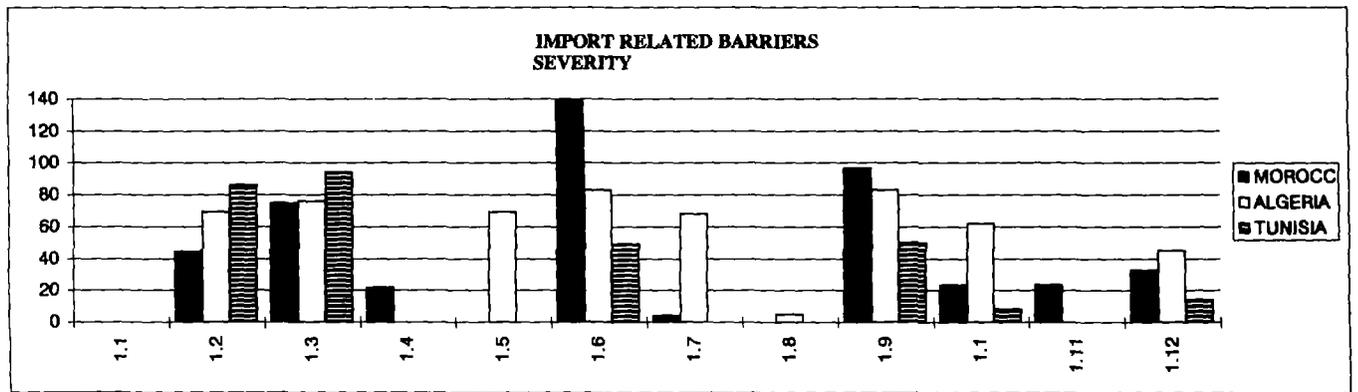
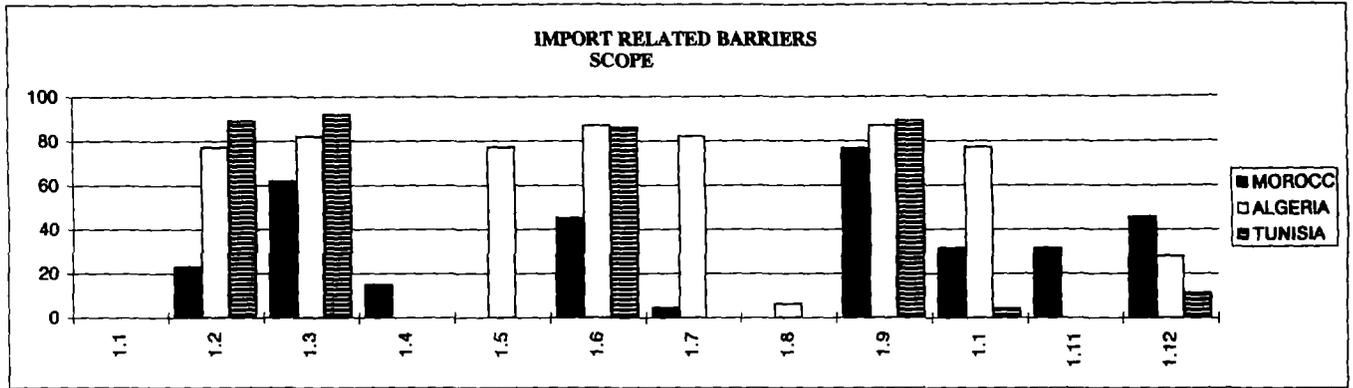
A3.15 Currency Availability. Restrictions of this type affect the three countries, although Tunisia to a lesser degree because foreign exchange controls have recently eased. In Morocco such controls come into play ex post and have made it impossible to relax the constraint created by the nonconvertibility of local currency. In general this barrier is an obstacle to import activity, where the excess cost generated is attributable to: fluctuation (devaluation) of the local currency over the period between application for and release of the foreign exchange needed; the time consuming nature of applying for foreign exchange (during which the price of the product to be imported may fluctuate); inability to take advantage of low freight rates available on the tramping market, where settlement is required immediately after a vessel is chartered; and overvaluation of the currency. In addition to the loss of markets, these controls result in high surcharges. (Category: TDB3. Chains: Fruits and Vegetables, MO; Foodstuffs Industry, MO; Rail, MO; Pharmaceutical Products, AL; Timber, AL; Textiles, TU; Iron/Steel, Industrial Machinery, TU.)

A3.16 Licences to Charter: Charter licences are required to protect national shipping companies. The right of any importer or exporter to charter vessels is subject to approval from the national shipping line, thus preempting the right to carry cargo on its own vessel or freely charter a suitable vessel. Permission to charter is granted only if the national shipping line withdraws. Access to the international freight market is virtually shut off and surcharges as high as 20% over the usual international freight rates must be paid. (Category: TDA3. Chains: Maritime Transport, AL and TU; Cereals, MO; Textiles, TU; Iron/Steel, Machinery, TU.)

A3.17 Border Customs Clearance Delays. Border formalities are related to foreign exchange controls and import licencing requirements. Since customs formalities are only partly computerized, inspections are made by customs officials in person. The average waiting time at customs stations is 3 to 4 days. This barrier affects all road, sea, and rail traffic in Algeria and Moroccan and Tunisian sea traffic. (Categories: THB, TDA3. Chains: Fruits and Vegetables, MO; Foodstuffs Industry, MO; Textiles, TU.)

A3.18 In terms of barrier-importance ratings, the profile for Algeria is relatively uniform, as most barriers fall into a narrow range (12-16). Barrier scope is relatively high and severity is middling (Figure A3.4). The profile for Morocco is less uniform, consisting of high peaks (ad valorem transport costs) and relatively deep valleys (foreign exchange availability). In Tunisia barrier importance is typically has a low profile except for barriers associated with handling costs and freight conference agreements.

Table A3.4 : Import Related Barriers



Export-Related Barriers

A3.19 Some export-related barriers are identical to those affecting imports, although their relative impact may be different. They are handling costs, freight conference agreements, domestic transport regulations, and *transit charges*. Described below are the barriers specifically related to export activity.

A3.20 **Unloading Costs.** Analysis of the citrus transport chain in Tunisia (Maltese oranges) made it possible to identify in detail the costs affecting exported merchandise. Unloading costs are one link in this transport chain. For unloading costs, the exporter can neither choose the handling company nor negotiate the cost of its services, since the cost is usually incorporated in the sea freight charge. The excess cost may be as high as 10% (Categories: TDA1, TDA2. Transport chain: Transport/Maritime, TU.)

A3.21 **Dumping Backhaul Rates.** TIR traffic is growing apace in both Morocco and Tunisia. 80% of this traffic is controlled by European international transport companies. Their powerful position in Europe enables them to channel and regroup not only North-South traffic but also return traffic (refer to the study on textile chains in Morocco and Tunisia). The cost of getting TIR trailers back on the road, if not covered by revenue-producing traffic in both directions, is supported by their North-South fees. Here, their offer of dumping rates for the return journey defeats any potential competition from Maghreb operators, who are unable to find competitive North-South return rates because they lack commercial offices or any logistical organization abroad. (Categories: TDA1, TDA2. Chains: TIR Transport, MO; Textiles/TIR, MO.)

A3.22 **Lack of International Marketing.** Lack of international marketing largely explains why some Maghreb exporters miss the opportunity to expand their sales abroad. They are content to rely on FOB export arrangements. A good case in point is that of Tunisian olive oil, a product of recognized quality and appreciated internationally for its very low acidity. The entire output is sold FOB to importers in Italy, where it is blended and refined. The difference in profit margins between FOB Tunisia and FOB Italy is 1:5. (Category: TDA2. Chain: Transport Federation, TU.)

A3.23 **Brokerage Costs.** Getting certain export products (especially citrus fruits and early crops) to market requires organization at destination that is especially focused on distribution through Europe. Although the broker or commission agent on whom the exporter must rely can be forced to compete with others, it is still very difficult for the exporter, who maintains no permanent supervisory office at the destination point to evaluate the quality of the service he is getting (sale of his goods at the highest price) or the cost at which it is being provided. This common organizational gap causes a significant excess cost charged against the sale proceeds repatriated to them in the country of origin. (Category: TDB2. Chain: Transport/Maritime, TU.)

A3.24 Although, barrier scope and severity profiles are similar in form and range in the three countries, there are variations in importance (Table A3.5). In Algeria the low export volume in all product categories except petroleum exaggerates the importance of barriers. However, Algeria is clearly distinguished from the other two countries by its obstacles attributable to credit arrangements and transit costs. All three countries are affected by freight conference agreements and handling costs, although Morocco's performance with handling costs is better than Tunisia's.

Infrastructure- and Equipment-related Barriers

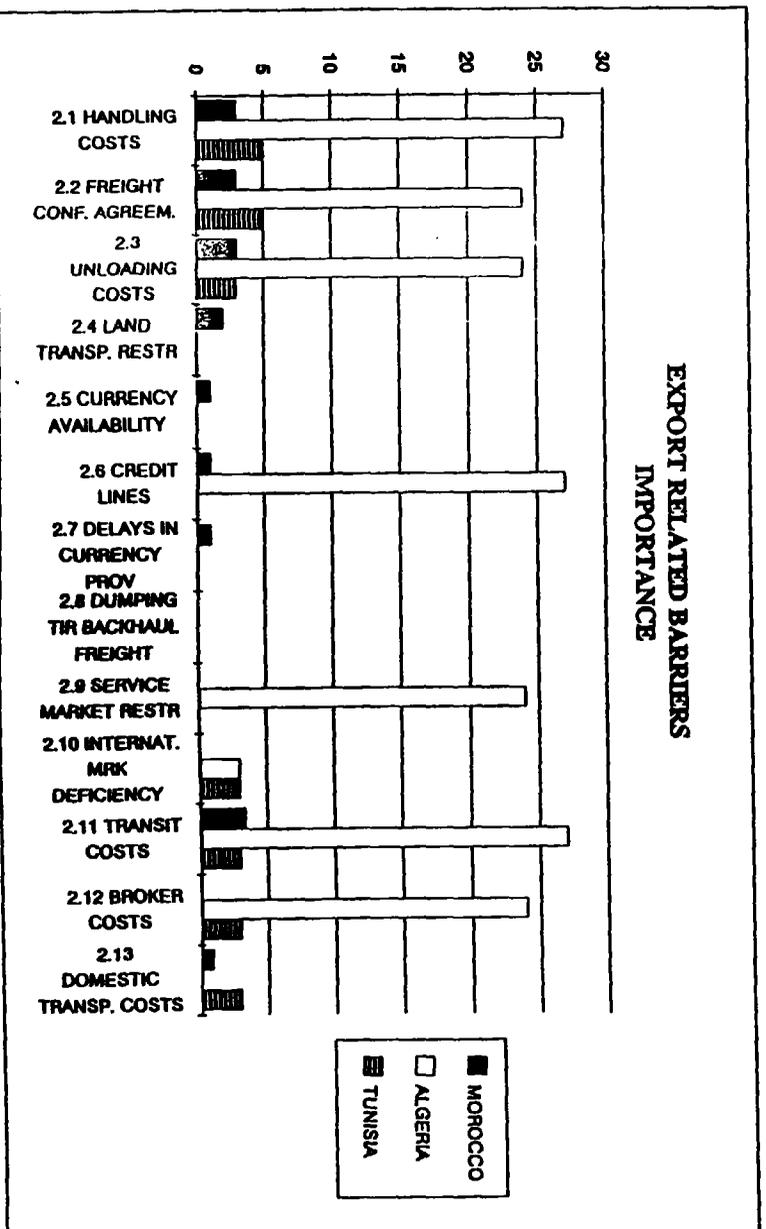
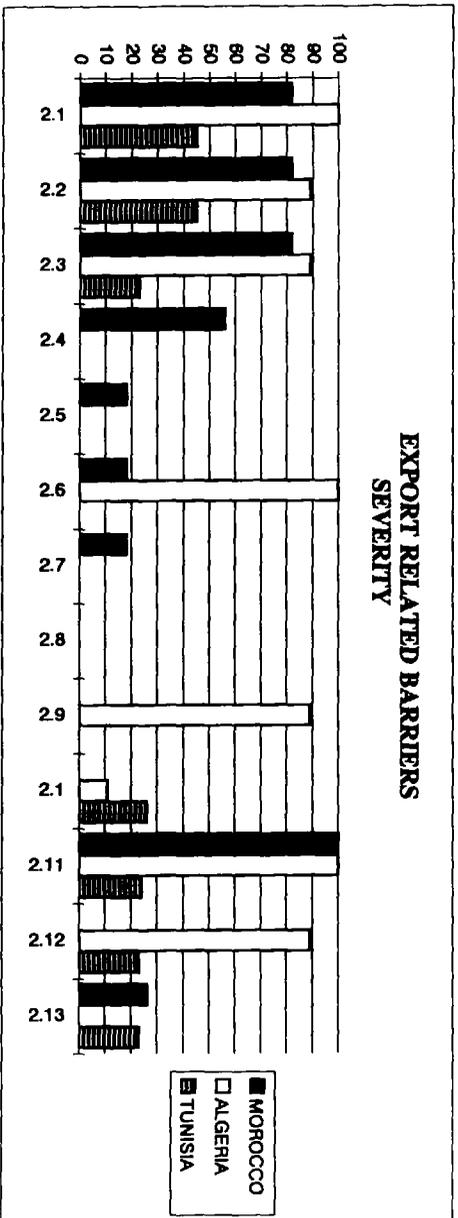
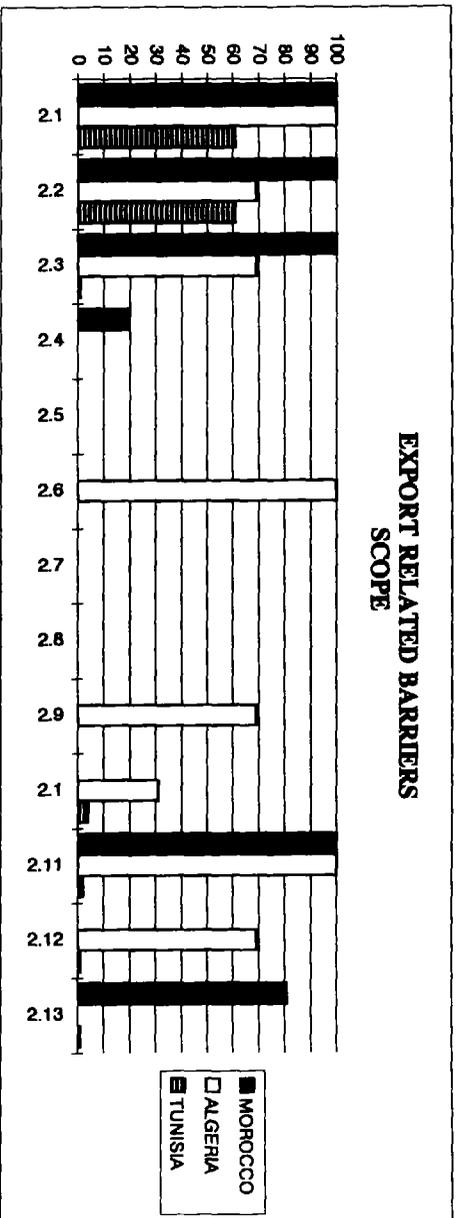
A3.25 The following barriers are related to infrastructure and equipment short-comings that affect both imports and exports. Because the surveys were not exhaustive, the classification of these barriers is merely indicative.

A3.26 Shortages of Handling Equipment. Common to all three countries, although to varying degrees, handling equipment shortages generate excess rate costs and excess indirect costs (demurrage). Shortages of mobile equipment (forklifts with more than a 10 tons capacity, gantry cranes, and container hoists) were cited frequently. The resulting excess costs vary from port to port and are partly responsible for high port handling charges affecting all imports and exports (except bulk liquid or solid cargo). (Categories: TDE1, TDE2, TDA1. Transport Chains: Iron/Steel, AL; Timber, AL; Electrical and Mechanical Equipment, AL; Port Administration, AL; Transport/Maritime, AL; Cargo, Almonds, Industrial Machinery, MO; Textiles/TIR, MO; Textiles, TU; Transport/Maritime, TU; Merchant Marine, TU; Citrus, TU; Iron/Steel, Industrial Machinery, TU.)

A3.27 Handling, Unloading, and Warehousing Performance. Dock workers' unions in all three countries are an obstacle to performance and rate improvements. Because they wield considerable political power, government-owned handling companies (on-board and dock operations) have little scope for changing current practices concerning gang size, labor-office orders specifying the number of gangs to be used, or practices for modifying penalty rates or premiums to improve productivity. Only privatization will make this sector competitive, as demonstrated by the Tunisian ports of Sousse and Sfax (which reduced costs by 25%). This barrier gives rise to three types of excess costs: longer vessel unloading times (demurrage), higher cargo handling costs, and supplementary charges for dock-to-warehouse transfer or storage prolonged by the lack of pick-up/collection vehicles. (Categories: TDE1, TDE2, TDA1. Chains: Textiles, TU; Merchant Marine, TU; Transport Federation, TU; Cereals, MO; Transport/Sea; AL; Electrical and Mechanical Equipment, AL; Iron/Steel, AL.)

A3.28 Shortage of Silos. Ports through which imported cereals transit (especially Casablanca) are handicapped by inadequate silo storage. This shortage results in additional handling or direct unloading that is both slow and inappropriate (into warehouses) and, not surprisingly, in additional handling charges. The same problem is also seen in many underequipped secondary ports in Morocco as well as in Algeria and Tunisia. (Category: TDE2. Chains: Cereals, MO; Transport/Maritime, AL.)

Table A3.5 : Export-Related Barriers



A3.29 Insufficient Dredging. This barrier is associated with use of the port of Casablanca, which cannot accommodate laden vessels drawing more than 32 feet (a fully laden vessel 200 m in length draws 30 feet). Pilots must wait for high tide before they can berth this class of vessel. Such vessels are always operated under the charter-party type of contract, so that the resulting loss of time generates corresponding demurrage costs for the recipient party (1 or 2 days, depending on the terms of the charter party). (Category: TDE2. Chain: Cereals, MO).

A3.30 Computerization of Customs Procedures. Computerization of customs procedures has brought considerable progress for both users (forwarding agents) and customs authorities by saving time and manpower (registration of declarations, collection of duties, gathering of statistics, and so on). However, information technology is only partially used in the three countries, creating high opportunity costs, lengthy delays, and additional financial charges. The fact that the computer systems in use do not conform to international standards (the case in Tunisia) generates additional excess costs. (Categories: THB, TA1, TA2, TC. Chains: Transport/Maritime, TU; Textiles/TIR, MOI; Cargo, Almonds, Industrial Machinery, MO.)

A3.31 Shortage of Ro/Ro Facilities. There is a tendency toward standardizing the technical specifications of vessels to allow for easier rotation of vessels, faster port turnaround times, and use of modern stowing equipment (containers). Ports thus need dedicated roll-on/roll-off berths and container terminals. Although costly, this type of infrastructure is essential for developing multimodal transport services, connecting feeder ports and load centers by cabotage, and distributing goods throughout the country by rail or road. (Categories: TDE1, TDE2. Chains: Rail, MO; Ports Administration, AL.)

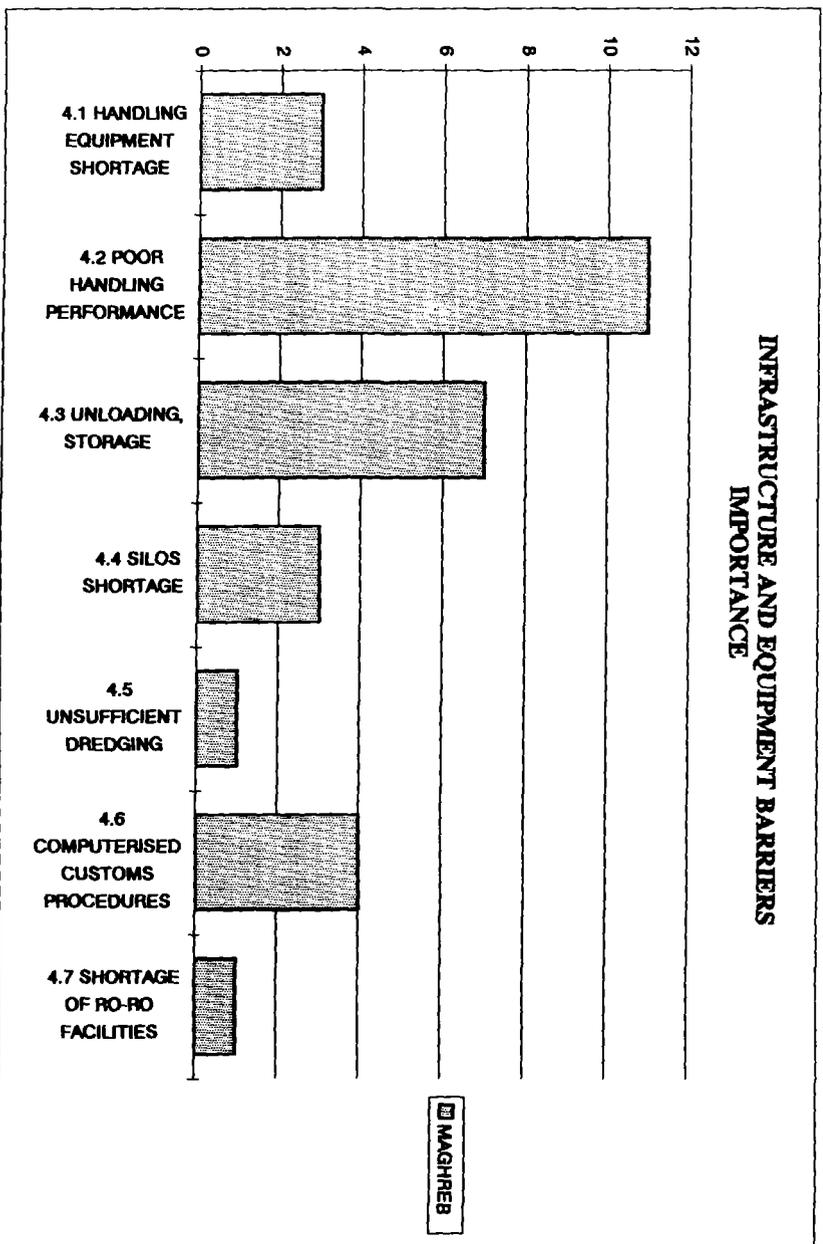
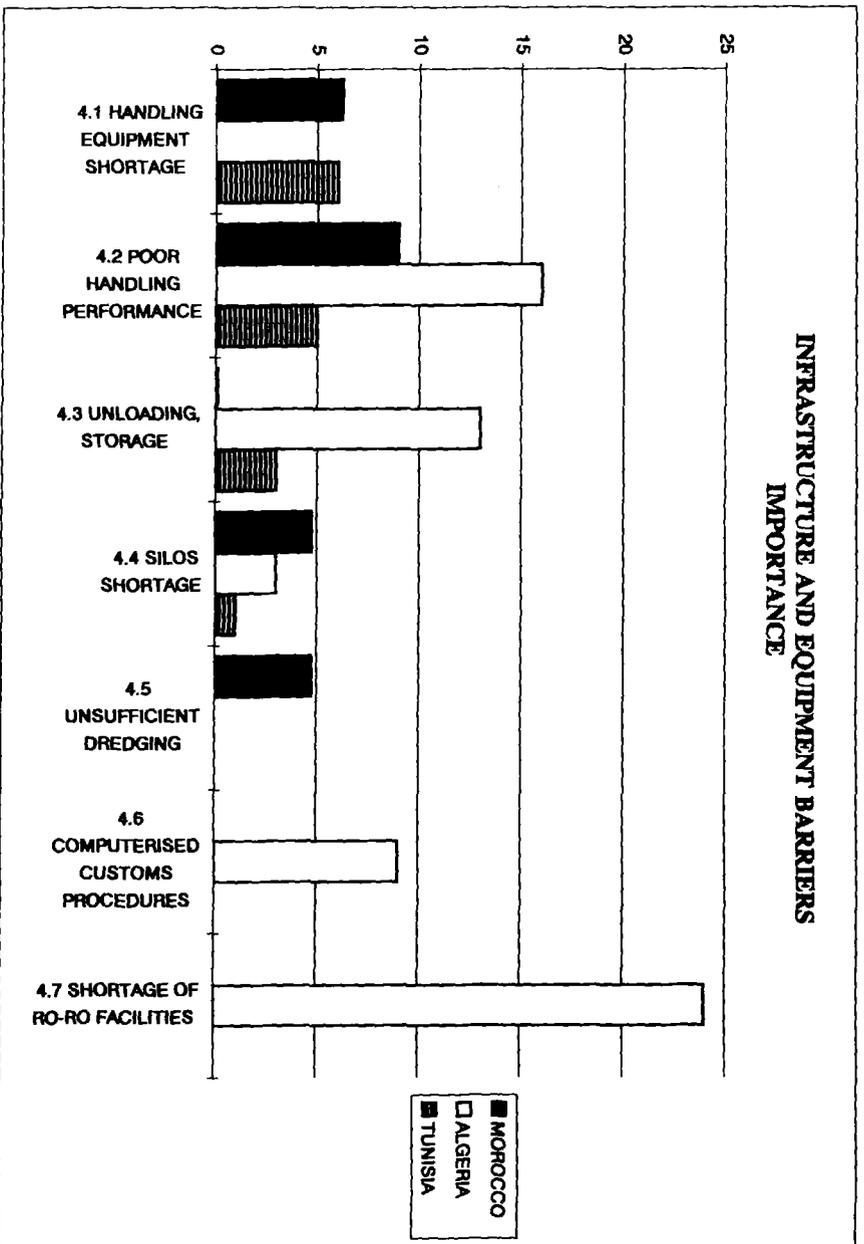
A3.32 The shortage of ro/ro facilities is more serious in Algeria than in Morocco or Tunisia (Figure A3.6). Cargo handling problems are severe in all three, Algeria being the worst affected, followed by Morocco. Morocco stands out for its dredging and silo problems. However, the survey has demonstrated that the key problem is the shortage of cargo handling equipment.

Trans-Maghreb Barriers

A3.33 The following barriers affect both export and import flows within the Maghreb region.

A3.34 Border Tax on Road Vehicles Border taxes apply only in Algeria. They are collected on any vehicle with a payload larger than 8 tons entering Algeria. The tax is F 5,000. Introduced to generate road maintenance funds, it also generates foreign exchange because it is payable in French francs. It discourages the development of inter-Maghreb trade by road (TIR transport chain, MO). Collection procedures cause delays as long as 3 to 4 days at border posts (Categories: TDA1, TDF. Transport Chain: TIR Transport, MO.)

Table A3.6 : Infrastructure and Equipment Barriers



A3.35 Contraband. Because of exchange differentials, exchange and trade restrictions, and subsidized prices of certain goods, widespread smuggling takes place between the Maghreb countries.

The amounts involved are far from negligible:

- . Libya/Tunisia/Algeria: Products are taken out of Tunisia and sold in Libya at prices subsidized by the Government. This subsidy generates a paper profit, realized when the products are resold in Algeria or Tunisia. They are transported in both heavy and light trucks and by caravan.
- . Morocco/Algeria: The contraband trade is in products of Moroccan origin (dried fruits, almonds, carpets, auto parts) or brought in directly from Ceuta, Melilla, and Tangier. Morocco is also a source of electronic equipment, household appliances, auto parts, tires, pharmaceutical goods, and baby food. There is a market in Oujda where potential buyers can find any of these goods, which are brought across the border by horse, car, caravan, pedestrians, passengers, and so on.
- . Algeria/Morocco: Contraband trade is in hooved animals, which are smuggled across the border at night in herds. The value of the traffic converging on Oujda alone has been estimated to be at least F 7 billion annually. Contraband activity has inhibited lawful trade in products such as Moroccan electronic goods. (Categories: THB, THC, TDB3, TA1, TA2. Chains: Fruits and Vegetables, MO; Cereals, MO; Textiles, MO.)

A3.36 Ban on Non-Bogie Rail Cars. This ban applies only to the Algerian rail system. It grew out of technical constraints affecting circulation on that network and it precludes inter-Maghreb circulation of Moroccan and Tunisian cars. (Categories: TDE2, TDB1, TB1, TB2. Chain: Rail, MO.)

A3.37 Lack of Railways Clearinghouse. In 1965, under the sponsorship of CFTM (*Chemins de fer trans-Maghreb*), the three main Maghreb countries signed cooperation agreements to foster: standardization of rules governing application of rate schedule, regulation of exchanges of rolling stock, application of international rules where royalties were concerned, and establishment of a clearinghouse facility in Algiers. Measures introduced by the Algerian Government in 1992 brought CFTM operations to a halt; traffic, which had doubled by 1989, declined thereafter. (Categories: TDD3, TDE2. Chain: Rail, MO.)

A3.38 Interruptions to Rail Traffic. Rail service is interrupted at Oujda so that passengers entering and leaving Algeria can undergo a surveillance. This interruption subjects both goods and passenger trains to lengthy delays. (Categories: TDE2, TA1. Chain: Rail, MO.)

A3.39 Lack of Rail-Road Coordination. Because rail-road coordination arrangements and mechanisms are absent, the Maghreb does not have multimodal transport systems. As a result container traffic and direct delivery of containers to final destinations throughout the region remain at a minimum. (Categories: TDE2, TA1, TA2. Chains: Rail, MO; Transport/Maritime, AL; Ministry of Transport, AL.)

A3.40 Prohibition on Bulk Rail Traffic. The Algerian Government prohibits bulk import rail traffic from entering the country because of difficulties experienced by the Algerian customs authorities in processing such traffic at border junctions. This restriction discourages the use of rail transport. (Categories: TDE3, TDB1. Chain: Rail, MO.)

A3.41 Costs Attributable to Lack of Equipment. In Algeria, Morocco, and Tunisia lack of equipment is a cause of excess rate costs and excess indirect costs (demurrage) although to differing degrees. (Categories: TDE2, TA1, TB1. Chains: TIR Transport, MO; Glucose/Agri-foodstuffs, MO; Fruits and Vegetables, MO.)

A3.42 Foreign Exchange Controls and Currency Instability. These barriers particularly affect medium-scale exporters engaged in trade with Algeria. Because foreign exchange is in short supply in Algeria and delays in obtaining it are lengthy, exporters have to resort to bank bridge loans (private credit). However, banks tend to put ceilings on this type of lending mainly to reduce exchange risk (currency instability) and settlement delays on the part of Algerian importers. The end result, however, has been a slowing down of potential traffic. In addition, passenger traffic out of Algeria is limited by Algeria's restrictions on foreign exchange availability for personal travel. (Categories: TDB3, TA1, TA2. Chains: Rail, MO; Fruits and Vegetable, MO; Glucose/Agri-foodstuffs, MO; Banking, AL; Transport/Maritime, TU.)

A3.43 Trans-Maghreb barriers are only moderately relative important compared with the obstacles created by exchange controls, contraband trade and unnecessary delays and storage. To a lesser extent, equipment shortages and the residual effects of foreign exchange regulations in Tunisia also inhibit trade.

Annex IV : Matrix of Recommendations for Corrective Measures

A4.1 After the obstacles listed in Annex III were discussed at a seminar in March 1994, participants developed a matrix that assembles possible corrective measures. Many substantive recommendations are regional in scope, whether they focus on the Maghreb as a whole or on expanding the relations between Europe and the Maghreb. Recommendations on Euro-Maghreb trade that recur most often concern multimodal transport in the trade between Europe and the Arab Maghreb Union. The challenges are considerable: not only does such a system pave the way for cost and time savings ("just-in-time" transport), but it also adopts the "logistics management" that the most advanced European enterprises use to orchestrate their raw material purchasing, production, and marketing functions. This technique allows them to reduce their inventories significantly and better respond to increasingly volatile demand (see Peters 1991). Such enterprises are all on the look-out for new foreign markets that will enable them to optimize their management performance. In new markets they look for effective, up-to-date transport technology; efficient communications systems, especially those that facilitate administrative and financial procedures; modern, reliable, and rapid goods and cargo handling arrangements; and appropriate regulatory frameworks. Such conditions are still not fully in place in each of the Maghreb countries, although they are partially available in some spheres of the clothing/textile industry.

Corrective Measures Matrix

| IMPORT-RELATED BARRIERS | | | |
|--------------------------------------|---|---|--|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Import Duties | <ul style="list-style-type: none"> - Harmonization of customs procedures and standardization of technical specifications. - Radical revision (reduction, simplification) of nomenclature of merchandise. - Gradual reduction of customs tariffs (on transport vehicles). - Possible exemption of TIR and CKDs equipment. - Complete computerization of customs procedures (airports, ports, border posts). | <ul style="list-style-type: none"> - Within the Maghreb, working groups are drawing up a customs nomenclature for the Maghreb based on the Harmonized System; this will be a prelude to drafting a Maghrebian external tariff. - Significant reduction in customs duties and consolidation within the GATT framework (Tunisia-Morocco). - Algeria: General reduction in customs duties through adjustment of the 1992 Tariff. Maximum rate is 60%. | <ul style="list-style-type: none"> IM - Step up work of Maghreb task forces. EM - Step up negotiations for creation of EU/Maghreb free trade area. IM, EM - Develop procedure for computerization and connection of ports, airports, and border posts. - Develop Maghrebian interconnected information network - Consultations between Morocco and Tunisia regarding smooth conduct of present negotiations with EU for creation of free trade area. |
| Freight Conference Agreements | <ul style="list-style-type: none"> - Continuing gradual liberalization of restrictions on charters for shipment of cargoes not within the geographic or size limits of regular line services. - Facilitation of cabotage (elimination of economic and financial obstacles to development of these lines - allocation of foreign exchange, reduction of port taxes, and so on). Implementation of the Maghreb Convention. | <ul style="list-style-type: none"> - Conversion of 50-50 agreements into 40-40-20 agreements. | <ul style="list-style-type: none"> IM - Conduct study on maritime transport cost structures with view to optimizing freight rates while preserving shipping-line profitability and quality of service. IM - Foster creation of an entity to defend shippers' interests nationally and regionally, with view to consultations between shipowners and shippers. |

IM = Intra-Maghreb
EM = Europe/Maghreb

| IMPORT-RELATED BARRIERS | | | |
|---------------------------------------|---|---|--|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Cargo Handling Charges | <ul style="list-style-type: none"> - Elimination of fictitious charges for services not actually performed (improve productivity through incentive bonuses, restructuring of shipboard and dock handling gangs). - Placement of handling operations on lump-sum basis. - Introduction of uniform rate schedules. - Creation of competition among handling companies, both public and private. - Introduction of uniform charges for cargo held on docks. - Modernization of handling equipment. | <ul style="list-style-type: none"> - Refer to "Export-related Barriers: Cargo Handling Charges." | |
| Domestic Transport Regulations | <p>In both the road and rail sectors:</p> <ul style="list-style-type: none"> - Revision by the competent authorities of licensing requirements throughout the two sectors, with view to greater flexibility, clarification, and more rational investment. - Definition of network responsibilities. - Setting of standards re guaranteed short journey times. - Client to have choice of method of payment, client to be able to deal "at single window." - Liberalization of international and national backhaul freight rates. - Training for TIR truckers. - Elimination of abusive internal road traffic controls. | <p>Morocco: Study under way on reformulation of ONT's mission and development strategy.</p> <p>Tunisia: Liberalization under way in conjunction with process to privatize public enterprises.</p> <p>Algeria: Discussion under way on national transport plan.</p> <ul style="list-style-type: none"> - Temporary suspension of measures to facilitate intra-Maghreb rail transit. - Agreement on road taxes ratified but not put into effect. | <p>IM - Reduction in border crossing times on rail system (currently 24-48 hours).</p> <p>IM - Introduction of common intra-Maghreb rail tariff (competitive prices, uniform tariff structure) giving economic operators substantial advantages.</p> <p>IM - Elimination of intra-Maghreb road taxes.</p> <p>IM - Standardization of traction and rail rate schedules throughout the Maghreb.</p> <p>IM - Reactivation of the intra-Maghreb railway clearing house.</p> <p>IM - Standardization of rail system maintenance techniques.</p> |
| Quantitative Restrictions | <ul style="list-style-type: none"> - Gradual elimination of the priorities system (liberalization of imports, complete or partial removal of prohibitions). - Contraband control measures. | <ul style="list-style-type: none"> - Liberalization of imports well advanced in Morocco and Tunisia. - Signature of an intra-Maghreb agreement on mutual administrative assistance in campaign against customs fraud. | |

IM = Intra-Maghreb
EM = Europe/Maghreb

| IMPORT-RELATED BARRIERS | | | |
|-----------------------------------|--|--|--|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Ad Valorem Transit Charges | <ul style="list-style-type: none"> - Rationalization of licensing system (issue of new licenses, requalification of new beneficiaries). - Setting of rates for transit operations (HAD, <i>honoraires d'agrées en douane</i>) according to actual cost of services rendered instead of on an ad valorem basis. | Tunisia: <ul style="list-style-type: none"> - Formulation of regulations to govern forwarding agents. - Intensive computerization of customs clearance formalities. | IM - Standardization of intra-Maghreb tariffs. IM - Computerization of customs clearance formalities. |
| Ad Valorem Port Charge | <ul style="list-style-type: none"> - Introduction of competitive tariff structure. - Modification of the base for these charges, using the metric ton or m³ instead of the value of the merchandise. | Under way in Tunisia. | IM - Essential harmonization throughout the Maghreb. |

IM = Intra-Maghreb
EM = Europe/Maghreb

| IMPORT-RELATED BARRIERS | | | |
|---|---|---|---|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Double Cargo Handling | <ul style="list-style-type: none"> - Development of multimodal transport companies. - Promotion of training for and establishment of <u>real</u> forwarding agents ("organizers of door-to-door transport," and not merely commission agents, of whom there are too many at present, especially in Tunisia). - Promotion of competition on the part of public-sector entities providing port services. - Gradual liberalization and better organization of port services, whether provided by public- or private sector entities, with a view to keeping operator costs as low as possible and improving service quality (productivity, security, rapidity, and so on). - Transfer of container customs clearance formalities to destination points (importers' storage facilities or factories). - Establishment and development of under-bond areas where shipments can be assembled and broken up. - Introduction and development of an attitude of competition in port management; using methods yet to be formulated but focused especially on standardization of holding, unloading and warehousing practices. | <ul style="list-style-type: none"> - Legal texts being drafted in Tunisia and Morocco. - Under way in Tunisia and Morocco. - In the planning phase in Morocco. - Tunisia already has in place a system of selling to customers on their own premises. - Already exists in Tunisia and Algeria. In Morocco legislation exists but implementing regulations are still being drafted. | |
| Obligation to Insure with National Companies | <ul style="list-style-type: none"> - Gradual liberalization of insurance contracts. - Amendment of laws that make it compulsory to insure imported goods with local insurers (if this generates an excess cost). - Improvement of remedies and indemnification in cases of damage. - Measures to eliminate the need for double insurance. - Facilitation of co-insurance and re-insurance arrangements. | | In-depth analysis of excess costs identified. |

IM = Intra-Maghreb
EM = Europe/Maghreb

| IMPORT-RELATED BARRIERS | | | |
|--|---|--|---|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Foreign Exchange Controls | <ul style="list-style-type: none"> - Freedom of access to the exchange market. - Better coverage of exchange risk. - Establishment of compensatory mechanisms. - Policy directed toward currency convertibility and therefore toward stabilization of the exchange rates between Maghreb currencies. | Compensatory mechanisms exist already: bilateral agreements between Maghreb central banks. | IM - Ensure that <i>Banque maghrébine d'investissements et de commerce extérieur</i> takes an active part in financing Maghreb projects and promoting the circulation of capital so as to encourage development of an industrial apparatus whose component parts complement one another instead of being in competition. |
| Grant of Charter Licenses | <ul style="list-style-type: none"> - Liberalization of access to charter arrangements through legal recognition of the right to form private charter companies to negotiate better freight rates with international shipowners thereby eliminating present excess costs. | Partial measures under way in Tunisia. | IM/EM - Foster establishment of Maghrebian private shipowning companies with modern fleets by creating incentive regulatory framework (fiscal inducements, investment assistance, and so on). |
| Customs Clearance Delays at Borders | <ul style="list-style-type: none"> - Adoption and application of international agreements in the TIR and multimodal arenas. - Harmonization of customs procedures and standardization of technical specifications. - Full computerization of customs clearance procedures. - Clarity of documentation and accessibility of communications among all partners in the transport chain, through multidimensional networks and electronic data exchange (edi) services. - Adoption of international norms for technical specifications governing technical, safety, and environmental features of imported products. | <p>Tunisia and Morocco are signatories of the TIR Convention. Algeria proposes to sign it.</p> <ul style="list-style-type: none"> - Various Maghreb taskforces are currently working on the harmonization of customs laws and procedures. - One of these taskforces has a special mandate to study transit difficulties and recommend solutions. - Bilateral customs cooperation committees have been formed by the three countries. Their meetings provide forums for resolving numerous problems affecting both (private) passengers and economic operators. Other bilateral committees and commissions that group representatives of the trade sector (economy, transport, customs police, business circles) have also helped to facilitate formalities at land border posts, ports, and airports. | <p>EM/IM - Adjustments to reflect European and Maghrebian norms affecting the nomenclature of merchandise.</p> <p>EM/IM - Standardization of international transit documents, in accordance with European and Maghrebian regulations.</p> |

IM = Intra-Maghreb
EM = Europe/Maghreb

| EXPORT-RELATED BARRIERS | | | |
|--------------------------------------|---|--|---------------------------------------|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Handling Charges | <ul style="list-style-type: none"> - Complete elimination of fictitious charges (for services not actually rendered). - Fostering of competition and competitiveness among public and private sector cargo handling companies. - Modernization of cargo handling equipment, especially gantry cranes and container hoists. - Facilitation of embarkation of cargo through decentralization of customs export formalities. | <p>Tunisia: Restructuring of cargo handling gangs in all ports. Proposal for a tariff putting all cargo handling charges on a flat-rate basis.</p> <p>Algeria: Stevedoring companies have become autonomous in each port, with dockers no longer directly dependent on government subsidies. The present policy is to set up public and private sector stevedoring companies that will compete with one another.</p> <p>Morocco: The Casablanca Port Authority, an autonomous entity, has signed a performance contract governing incentives for dock personnel and calling for the modernization of port equipment. In addition, each port has its own technical committee.</p> | |
| Freight Conference Agreements | <ul style="list-style-type: none"> - Gradual liberalization of bilateral agreements governing regular freight-line services. - Improvement of rebate arrangements on conference freight rates. - Increased frequency of departures. - Improvement of the technical quality of vessels used on regular freight-service routes. | <p>Tunisia: There are two daily services on the Marseilles-Tunis route, with vessel quality and type to suit different service requirements. Turnaround time is 36 hours instead of 48. CTN policy is to stabilize freight rates and possibly to bring pressure to bear on other shipping companies to lower their charges. A National Council of Shipowners exists, headquartered in Tunis.</p> <p>Algeria: Since 1990 CNAN no longer has a monopoly on freight. The government department with oversight of the country's ports has made them responsible for their own (decentralized) management.</p> <p>Morocco: Competition is assured through 40-40-20 agreements incorporating "outsider" shipping companies.</p> | |

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| EXPORT-RELATED BARRIERS | | | |
|---|--|---|--|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Unloading Charges | - Study by the three Maghreb countries of ways to use partnership arrangements to solve the problems affecting different types of traffic. | | |
| Regulations Governing Domestic Transport | In the road and rail sectors: - Revision by the competent authorities of the criteria on which licenses are now granted throughout the Maghreb in these sectors 1/m with a focus on flexibility, clarification, and more rational investments. - Elimination or rationalization of the road taxes payable on entry into Algeria. - Moderation of road controls. | Refer to "Import-Related Barriers: Domestic Transport Regulations." | IM - Introduction of a joint intra-Maghreb rail tariff (standardized tariff structures) that will allow economic operators substantial advantages. IM - Studies to assess joint purchases of rolling stock (locomotives, cars) by the three rail systems. Treat AMU decisions as a means of accelerating the process so as to ensure direct passage without breakbulk operations. IM - Reactivate the inter-Maghreb railway clearing house. |
| Currency Restrictions | - Approval of allocations of foreign exchange in keeping with the estimated duration of business trips until the currencies are convertible. | Tunisia: Allowance of D 500 per passenger. Use of international credit cards. Morocco: Allowance of DH 5,000 per passenger. Larger allowances for business trips. Algeria: Use of credit cards but counterpart in foreign exchange required. | |
| Dumping Rates on TIR Backhaul | - Formation of Maghrebian TIR transport groups either by utilizing a network of European correspondents as agents or by setting up agencies directly. The aim is to institute North-South freight rates that contribute to profitability. | Morocco: This change is quite apparent, with the authorities advocating international partnership as a way to develop this type of activity. | EM/IM: Bring road fleet into line with European Union TIR standards. |

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| EXPORT-RELATED BARRIERS | | | |
|--|---|--------------------------------|---------------------------------------|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Lack of International Marketing | <ul style="list-style-type: none"> - Allocation of foreign exchange to exporters or export groups to cover costs of establishing out-of-country logistical and commercial facilities. - Use of all-media advertising campaigns to promote marketing at national and interprofessional levels. - Conversion of FOB selling contracts to a C&F basis. - Establishment of processing plants, locally or abroad, to give greater value added to raw export products (the implication being that all necessary government facilities would be made available for the purpose 1/m foreign exchange, credits, etc.). | | |
| Transit Charges | <ul style="list-style-type: none"> - Trade missions (making use of the resources of interprofessional organizations) to discuss and negotiate transit charges at destination and to have them treated as transport expenses deductible from the proceeds of export sales. <p>Morocco: Study of the high excess costs generated for TIR traffic by passage of the Strait of Gibraltar.</p> | | |
| Brokerage Charges | <ul style="list-style-type: none"> - Development of means of monitoring commission agents at destination through the professional association active in each sector. - Availability of government facilities for each case in point. | | |

| TRANS-MAGHREB BARRIERS | | | |
|----------------------------------|--|--------------------------------|---|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Boarder Tax on Vehicles | - Elimination of the entry tax on vehicles crossing the Algerian border and choice of other means of financing the country's road system maintenance fund. | | |
| Contraband | - Strengthening of border controls. - Liberalization of issue of import licenses. - Allocation of foreign exchange; currency convertibility. | | <p>IM - International agreements among the Maghreb countries on reducing the subsidies granted on certain product categories.</p> <p>IM- AMU studies on where and how to amend existing accords (UNIM, Maghreb Commission, Free Trade Agreement) ratifying trans-Maghreb trade, so as to simplify their application.</p> <p>IM/EM - Promote more contacts through and circulate trade information likely to eliminate triangular traffic patterns (Lylien PVC, exported to Germany for reimport into Tunisia).</p> <p>- In regard to the increased value of this traffic, take into account the effects of the present situation in Algeria.</p> |
| Foreign Exchange Controls | - Macroeconomic adjustment measures in consultation with international partners and the IMF. - Policy focus on convertibility of currencies. | | <p>IM - Develop banking and financial institutions to cover trans-Maghreb trade.</p> <p>- Reduce the delays associated with international procurement proceedings so as to facilitate the bringing into place of the corresponding financing arrangements.</p> <p>- Clarify and select types of financing for Algeria (export credits, or the Islamic-Bank-type of bridge loan).</p> |

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| TRANS-MAGHREB BARRIERS | | | |
|---|--|---------------------------------------|---|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Prohibition on Non-Bogie Rail Cars | <ul style="list-style-type: none"> - Harmonization of conditions governing intra-Maghreb circulation of railway rolling stock. | | <p>IM - Continue with the government of Algeria to ease restrictions on the types of rail cars accepted on that country's network, with a view to eventual unrestricted circulation as per UIC standards. The Moroccan and Tunisian networks should also comply with all their obligations.</p> |
| Lack of Railway Clearinghouse; Change of Locomotives | <ul style="list-style-type: none"> - Gradual elimination of present loading systems. - Reactivation of the CFTM (<i>Chemin de fer trans-Maghreb</i>) clearinghouse. | | <p>IM - Reactivation of the cooperation agreements signed in 1965 in the name of the Cooperation Committee of CFTM.</p> |
| Lack of Rail-Road Coordination | <ul style="list-style-type: none"> - Introduction of appropriate lifting equipment at breakbulk points. - Decentralization of road fleet to achieve availability of vehicles at breakbulk points for haulage over final leg of journey. - Coordination of any backhaul freight so that empty vehicles can be made available at breakbulk points as necessary. | | <p>IM/EM - Establish a legal framework for multimodal transport.</p> |
| Prohibition on Bulk Freight | <ul style="list-style-type: none"> - Gradual easing of the restrictions on some categories of products. | | <p>Go forward with implementation of the decision already taken to lift this ban.</p> |

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| TRANS-MAGHREB BARRIERS | | | |
|--|--|---|---------------------------------------|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Storage Made Necessary by Lack of Cargo handling Equipment | <ul style="list-style-type: none"> - Financing and installation of adequate cargo handling facilities in ports and at breakbulk points. - Adjust handling charges so that there is greater incentive to pick up cargo from docks within exemption periods. | <p>Tunisia: The port of Rhadès was equipped with four container hoists six months ago.</p> <ul style="list-style-type: none"> - Containers are stripped in bonded warehouses outside port precincts. <p>Morocco: The ports of Casablanca, Agadir, and Tangier were equipped with a total of 18 container hoists between 1980 and 1993.</p> <ul style="list-style-type: none"> - The new container terminal in the port of Casablanca, due for completion in 1995, will accommodate vessels with up to 20,000 TEU of capacity. <p>Algeria: Three ports are currently being equipped as container terminals: Oran, Algiers, and Annaba. They will be linked to the rail network.</p> | |

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| INFRASTRUCTURE, EQUIPMENT & TECHNOLOGY BARRIERS | | | |
|---|---|--|--|
| Barriers | Possible Corrective Measures | Progress with Current Measures | Recommended Actions at Regional Level |
| Computerization of Customs Procedures | <ul style="list-style-type: none"> - Massive investment in computerization so that a full range of electronic data interchange (edi) services can be provided. - Systematic accelerated training for personnel working as inspectors and customs officers in transit companies. - Retraining of personnel not already familiar with computerized procedures. - Extension of terminals linked to customs offices in order to accommodate some importers, who would thus benefit from being able to clear merchandise through customs on their own premises. - Extension of computerization measures in Algeria, where customs procedures suffer because of the huge number of entry operations and the distances characteristic of the country. | | <p>IM - Harmonize the procedures employed by the Maghreb countries.</p> <p>IM - Avoid hardware and software incompatibilities among the Maghreb countries, and ensure that links are possible with banking, port, and maritime service providers.</p> <p>IM - Identify the necessary conditions for a master plan to link the Maghreb countries with the "just-in-time" system in accordance with international standards.</p> <p>IM - Extend the system to border controls.</p> |
| Lack of Ro/Ro Facilities | <ul style="list-style-type: none"> - Provision of ro/ro installations in all ports where they are needed as a step toward development of multimodal transport systems that will allow domestic deliveries by container and TIR trailer and breakbulk operations through cabotage vessels (for some types of cargo). | <ul style="list-style-type: none"> - Studies for and installation of ro/ro ramps now well under way in primary and secondary ports. | |

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