in the early 1980s to 4.5 by the late 1990s. A GDP growth rate of 5 percent in the mid- 1990s could be achieved with a level of total investment averaging a quarter of GDP. Part of the decline in the ICHOR would be due to an increase in the share in GDP of private sector investment, while that of public sector investment would fall. The other part would be due to changes in relative prices, notably the increase in the cost of capital relative to wages due to the wage restraint and the real depreciation of the Tunisian dinar since 1985.

15. The lower level of investment needed to achieve the above growth rates, as compared to the levels in the late 1970s and early 1980s, would, given that domestic saving is only expected to increase modestly from around 20 percent of GDP in recent years to around 22 percent in the second half of the 1990s, result in current account deficits small enough for debt indicators to improve steadily. Tunisia's non-interest current account would be close to balancing after 1995 and the current account deficit, after reaching 8.1 percent of GDP in 1993, would decline to less than 3 percent by 1996/97. External debt to GDP and debt service ratios would decline from 1992 levels (53.6 percent and 21 percent respectively) to 52 percent and 16.4 percent, respectively in the late 1990s. The nominal size of the external debt will increase, however, and much of the growth will be from a resumption of borrowing on financial markets in the coming years on the basis of Tunisia's good credit standing.