

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT OF COMMITTEE II ON THE CONSULTATION WITH TUNISIA

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with individual contracting parties regarding their agricultural policies, the Committee carried out the consultation with Tunisia. The Committee had before it document COM.II/40(i) dated 17 November 1960 which contained a synopsis supplied by the Government of Tunisia of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers and detailed information and statistics on commodities entering importantly into international trade.
2. In conducting the consultation the Committee followed the plan for consultations contained in Annex A to COM.II/5 and adopted by the CONTRACTING PARTIES at their fourteenth session. The consultation was completed on 18 November 1960.

A. General agricultural policies

3. In his opening statement the representative of Tunisia provided an analysis of the significance of agricultural activity to the economy of his country. He stated that the total land area of Tunisia was 125,000 square kilometres of which 48,000 or 30 per cent was cultivable land. Until Tunisia became independent, virtually all the land belonging to Tunisians had been divided into smallholdings, "Habou" or collective land. In recent years the Government has applied a land reform policy aimed at regrouping the land holdings and improving their yield.

4. The total population of Tunisia was 3.95 million of which 2 million represented an active male labour force, only half of whom were at present employed. Out of the latter 1 million, 780,000 or 73 per cent were employed in agriculture.

5. In 1958 the gross national product of Tunisia was 253 million dinars, of which 90.6 million or 36 per cent came from agricultural production. Variable weather conditions, particularly dryness, contributed to inadequate production. When there was sufficient rain there were exportable surpluses of the major crops, chief of which was cereals occupying 20,000 hectares of land or 15 per cent of the total arable land under cultivation. Another principal crop was oil; 60,000 tons of olive oil was, on the average, produced each year, but in certain

years the output was 100,000 tons from the 26 million olive trees grown commercially in Tunisia. Local oil consumption accounted for 40,000 tons while the rest was exported. There were 52,000 hectares of land dedicated to vineyards of which 42,000 hectares were currently used for producing wine. The annual production of citrus fruit was 86,500 tons which came from 2 million trees grown on 6,500 hectares of land. Dates were also an important product. The south-west section of the country produced 85,000 tons of dates annually. The representative of Tunisia pointed out that Tunisia relied heavily on its food-processing plants which had an annual output of 5,000 tons of vegetables, 6,000 tons of fruit and 4,000 tons of fish.

6. The Government of Tunisia was attempting to improve agricultural production by various methods with the objective of full employment. The Government was anxious to encourage the establishment of additional food-processing plants and to develop exports. There was a ten-year programme for the extension of arable land, which included irrigation projects, the diversification of crops and the improvement of yields. In the northern region success had been achieved with expanded sugar beet production, while in the south the number of fruit trees had been increased by 1 million in 1960 and the same number of olive trees had been planted. The productive capacity of the vegetable canneries had more than doubled in the last few years, particularly in the tomato-canning industry. It was anticipated that eventually the plan would result in an increase of 45 million dinars in the national income each year, in addition to providing further employment for 30,000 workers each year.

7. In order to provide additional assistance to farmers, the Tunisian Government was participating in the trade in cereals, alfa, tobacco and olive oil. The agency responsible for handling the cereal trade in conjunction with private traders was similar to the one operating in France. The trade was under the control of the cereals office which imposed a uniform price based on the current selling price that would vary according to the category of the product. The Cereal Fund was supported by the producers and assured one price regardless of world market fluctuations. In 1959 the support price for cereals amounted to 170 millimes per quintal. In 1957 wheat and barley production was valued at 6 million dinars and there was also a good harvest in 1959, the largest proportion of which was purchased by France. Under the Franco-Tunisia Trade Agreement of 5 September 1959, as granted by the additional protocol of 22 September 1960, France imported annually from Tunisia between 1.3 and 1.5 million quintals of hard wheat duty free on the basis of the French production price. With respect to alfa, the Government had asked the Société Nationale des Chemins de fer tunisiens (SNCFT) to purchase the alfa lands since these were mainly in inaccessible regions to which the SNCFT had access. The producers in these areas were very poor and in need of assistance. The Government had established a fixed price of 5 millimes per kg. for alfa which was paid to the producers by the SNCFT. If the railway encountered a deficit with respect to the payment of these support prices, the loss was covered by the Government.

8. Regarding olive oil, a central stock had been established for the purpose of intervening in the market by means of sales or purchases at floor prices in order to limit price fluctuations. In 1960 the floor price for high quality oil was 180 millimes per kg. Tunisia had no particular interest in exporting olive oil in drums; exports of olive oil in drums were subsidized at the rate of 3 millimes per kg. Tunisia preferred to export olive oil in small tins for which a support price ranging from 9 to 13 millimes per tin was paid.

9. For tomatoes, arrangements had been made for a compensation fund, in order to encourage increased production. The support price for tomatoes in 1960 was fixed at 4 millimes per kg. In 1959 the tomato crop had been excellent and imports had been restricted in order to conserve scarce foreign exchange. In the tomato-canning industry, production had increased from 700 tons in 1956 to 1,000 tons in 1959 and 3,100 tons in 1958/59.

10. In an effort to further assist agricultural producers and exporters in Tunisia, the Government had embarked on an export promotion scheme involving intensified market research, coupled with encouragement to producers to improve the quality of their products. In particular, serious efforts were being made to introduce excellent quality oranges, known as Tunisian "Maltese" oranges, to continental markets. Exports of these oranges were being subsidized at the rate of 25 millimes per kg. by the Citrus Fruit Trade Fund established in January 1958. While at present the majority of Tunisian exports went to the French markets, serious attempts were being made to diversify export outlets. France purchased most of the cereals, olive oil, citrus fruit, dates and wine exported by Tunisia under preferential tariff arrangements by which the majority of items entered France duty free.

11. Regarding import restrictions, these had been lifted in 1959 on a number of agricultural products including seed potatoes, sugar beets, certain animal oils and fats, castor oil, cocoa beans, unsweetened cocoa powder and tobacco. In concluding his opening statement, the representative of Tunisia pointed out that in 1959 the Government of Tunisia had liberalized the import of a number of agricultural products originating in or coming from countries with which payments were on a convertible currency basis, as was the case with nearly all countries parties to the General Agreement. Many other agricultural products could be imported within bilateral quota arrangements and no imports were entirely prohibited. Items still under restriction were freely licensed within limited foreign exchange availabilities or were subject to global quotas.

12. A member of the Committee asked whether or not olive oil was included under State-trading arrangements. The representative of Tunisia explained that olive oil was handled by private traders who established their own prices and applied for export permits which were granted as soon as contracts were provided.

13. Another member of the Committee noted that under-employment existed in the agricultural sector and asked what measures the Government intended to take in order to improve conditions. The representative of Tunisia replied that his country had been troubled by the problem of under-employment for many years. He stated that, in order to remedy the situation the Government had taken steps to realize a steady expansion and consistent improvement in production by introducing new methods and modern machinery.

14. A member of the Committee noted that collective farming was being encouraged by the Government of Tunisia. He stated that, if private holdings were consolidated into large units these would hinder rather than help the problem of under-employment. While larger units might be more efficient, the introduction of improved techniques and new machinery could cause further unemployment. He suggested that a preferable alternative would be to improve the quality of the grain and livestock. The representative of Tunisia explained that the collective system of land holding which had existed in his country for many years prior to the recent reforms was a primitive one which needed to be replaced by a modern system of tenure. Five or six years ago the Government had decided to divide the collective land in the southern section of the country, in order to permit individual families to have their own land. The necessity of developing agricultural production under improved conditions was evident and required progressive mechanization which could not be accomplished by the efforts of individual farmers alone. With the assistance of the Government they could be provided with technical and other assistance on a community basis. For this reason, the Government of Tunisia had decided to encourage the farmers to form co-operatives of the type existing in many countries of northern Europe. Officials from his Government had visited such countries as Denmark and the Netherlands in order to study the manner in which co-operative services for farmers were operated in these areas.

15. A member of the Committee asked for information on any preferential relationship with the European Economic Community, particularly if any special arrangements existed with respect to tariff or other preferences. The representative of Tunisia replied that his Government had not concluded any particular arrangements with members of the EEC other than France. He explained that the preferential regime with France was very similar to that which existed before Tunisia became independent and before Tunisia's provisional accession to the General Agreement.

16. With respect to Tunisia's development plans, another member of the Committee asked for detailed information regarding commodities subject to special measures. The representative of Tunisia stated that particular attention would be directed to dried fruits such as apricots and raisins, as these were favoured by climatic conditions in the central part of the country. Cereal production might be supported by encouraging to increase the yield per acre. The sugar beet industry would be fostered in the north where centres would be established to produce sugar cane, at the same time providing a useful by-product for animal feed. Other food processing plants would be encouraged, particularly the traditional canning of fruit, vegetables and fish. At the same time, however, serious attempts would be made to diversify agricultural production.

B. Commodities

17. Cereals. A member of the Committee noted that there was a support fund for most cereals at a rate of 170 millimes per quintal and for barley at a rate of 500 to 600 millimes per quintal. He asked if these rates were paid with respect to durum wheat exported to countries other than France. The representative of Tunisia stated that in general the subsidy was not granted for exports to France since these had the benefit of a fixed price. He explained that the subsidy was permitted for exports to other countries in order to adjust the domestic price structure to the international price. He added that in 1959 it had been necessary to arrange for a special bonus because the price in France was based on the devalued franc, while the Tunisian dinar had not been similarly devalued. Another member of the Committee asked if both the producers and the Government made payments into the Cereal Support Fund. The representative of Tunisia replied that it was only the producers who paid into the Fund. The member of the Committee felt that this could not be considered a subsidy in the true sense of the word. Another member of the Committee asked if the rate of 500 to 600 millimes per quintal was paid for barley exported to France. The representative of Tunisia replied in the negative, adding that in any case there were no exports of barley from his country to France.

18. In reply to a question the representative of Tunisia advised the Committee that the method of calculating the guaranteed prices for cereals was such as to protect the income of the farmer.

19. The difference between the amount of hard and soft wheat produced in Tunisia was noted by one member of the Committee who asked if durum wheat was exported and bread wheat imported, and if some imports came from the United States under the ICA Plan. The representative of Tunisia replied that when Tunisian production of soft wheat was low as a result of adverse climatic conditions, then certain amounts of soft wheat were imported. He explained that in the villages in his country it was traditional to prepare bread from hard wheat, although in the urban areas soft wheat was sometimes used for this purpose.

20. A member of the Committee, noting that the guaranteed price for cereals was determined annually, asked what relationship existed between the level of the guaranteed price and international prices. The representative of Tunisia explained that the guaranteed price in his country was based on the domestic price in France since France provided a guaranteed market for the majority of Tunisian exports. The same member of the Committee raised the question of whether or not certain areas of Tunisia were suitable for wheat cultivation. The representative of Tunisia explained that his Government was examining this matter with a view to reducing or expanding wheat production in appropriate areas, or, alternatively, planting almond or apricot trees in regions where wheat production was uneconomical.

21. Dairy Products. A member of the Committee asked if there were any plans for increasing dairy production in Tunisia. The representative of Tunisia stated that efforts were being made to increase the number and improve the quality of livestock, but due to the nature of the terrain such activities would be limited mainly to sheep. Hence it was planned to increase the production of sheep's milk and cheese. In reply to another question the representative of Tunisia confirmed that imports of canned milk, butter and cheese were under global quotas open to all countries. In 1960, there were quotas for imports of canned milk to the value of 500,000 dinars; for butter there was a quota for 900 tons; and for cheese there was a quota for 1200 tons. The representative of Tunisia assured the Committee that these quotas were flexible and would be adjusted in future in response to any increase in demand.

22. Meat. The representative of Tunisia stated, in reply to a question, that no quotas were available for meat imports. He explained that such imports were not actually prohibited but that in general there was little demand for imported meat in his country, since the local population consumed mainly mutton and lamb, domestic supplies of which were plentiful. The average consumer could not afford the luxury of high-priced imported meat, thus only very small amounts were imported from France to satisfy mainly the needs of the foreign population in Tunisia. The representative of Tunisia assured the Committee that global quotas for meat would be established when the standard of living improved in his country.

23. Fruit. In reply to a question regarding preferential arrangements for the sale of citrus fruit to France, the representative of Tunisia stated that while such imports were accorded duty-free entry into France there were no preferential commitments with regard to this product. Following a further query, he stated that Tunisia was attempting to reduce its reliance upon the French market by finding other outlets for its citrus fruit exports. Experience had shown, however, that it was difficult to divert to other markets export traders who traditionally exported to France.

24. Another member of the Committee asked if the premium on exports of oranges of the variety known as "Maltese" was paid with respect to exports to all countries. The representative of Tunisia recalled his earlier statement to the effect that serious efforts were being made to introduce these excellent quality oranges to continental markets. He explained that the premium was an experimental step that applied to exports to all countries and that it would be abolished when markets were established. Some success had already been achieved in exporting these oranges to the Netherlands.

25. In reply to a question the representative of Tunisia explained that import requirements for most fruit were marginal as domestic supplies were plentiful. Nevertheless global quotas had been established for imports of apples and pears, and bilateral quotas for bananas were included in certain trade agreements. He added that licences would be freely granted if there were requests to import any other fruit.

26. Vegetable oils. In reply to a question the representative of Tunisia stated that olive oil was subject to quantitative restrictions, but that these restrictions were non-discriminatory. In 1956 production of olive oil had been insufficient to meet domestic requirements, thus licences had been freely issued to importers for supplies from all sources. Another member of the Committee asked if citicica oil was subject to restriction. The representative of Tunisia advised the Committee that his country had taken no special restrictive measures in regard to citicica oil or to the following vegetable oils: castor and pulya, China wood, tung oil, oleiccoca, myrtle-wax and Japan wax.

27. Tobacco. One member of the Committee pointed out that, while tobacco was listed as an unrestricted import, there was a tobacco monopoly: he asked for confirmation of his impression that, while tobacco imports were accorded unrestricted entry into Tunisia, only one agency was authorized to make such purchases. The representative of Tunisia confirmed this impression and explained that such imports were made on commercial terms. The Tobacco Import Agency was free to determine the most economical source of supply. Then the tobacco was sold at a fixed price and any profit was deposited in the National Bank. Previously tobacco imports had been collected within the limits of bilateral quotas. Now there were no quotas, including global quotas; the Monopoly Service was free to obtain supplies at market rates, and the import procedure had been simplified. Another member of the Committee noted that there had been a gradual decline in exports of tobacco from Tunisia and he asked if there were any plans to increase such exports. The representative of Tunisia explained that tobacco had never been an important export from his country and that no such plans had been formulated to date. Some exports of manufactured cigarettes and pipe tobacco went to France. The Tobacco Agency did not have any control over exports. Another member of the Committee noted that consumption of tobacco had increased remarkably in Tunisia in recent years.

28. Dates. Observing that the date crop in Tunisia had been substantially larger in the past two years than in previous periods, a member of the Committee asked if it was the intention to sustain such a high rate of increase. The representative of Tunisia explained that this increase had not occurred as a result of planning but that 1959 had been an exceptional year. Dates were plentiful and inexpensive in his country, but there were no large stocks on hand. It was the intention of his Government to assist date producers to find new markets and to improve their methods of processing and packing dates.

29. Sugar. A member of the Committee questioned whether it would be advisable for the Government of Tunisia to encourage sugar production at a time when there was a sugar surplus on the world market, and suggested that it might be preferable to encourage other crops. The representative of Tunisia explained that it was necessary for his country to increase sugar production, in part because the balance-of-payments position prevented Tunisia from importing sugar in sufficient quantities to meet domestic requirements. Sugar consumption in Tunisia was very high and sugar imports

had to be financed partly from ICA funds, although there was a limit and special regulations with respect to the amount of sugar could be purchased in this way. Certain regions in Northern Tunisia had to be placed under cultivation in order to provide employment in the area. Sugar beet production was the best solution since the climate in the north was favourable for its cultivation. In addition processing units could be established without too much difficulty; the waste product could be used for animal feed; part of the large demand for sugar in all parts of the country would be satisfied; and additional employment would be provided. All of these developments would contribute to an improvement in Tunisia's balance-of-payments position. It was not the intention of Tunisia to achieve self-sufficiency in sugar; imports would still be required and these would be permitted insofar as possible.